



# WAGES AND THE FAMILY

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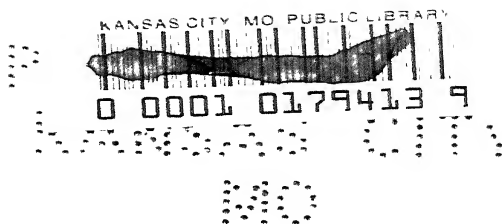
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# WAGES AND THE FAMILY

BY

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AMHERST COLLEGE, 1924-25



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TO  
RICHARD ARTHUR  
EMILE ROMANET  
ELEANOR F. RATHBONE  
PIONEERS IN THE MOVEMENT FOR  
CHILDREN'S ALLOWANCES AND  
FAMILY ENDOWMENT





## PREFACE

It is the purpose of this book to point a way out of the impasse in which the living-wage principle finds itself. The general theory that men and women should be paid enough to maintain themselves on at least a physical basis of life is deservedly winning acceptance. This theory is, however, in practice predominantly used to support the contention that men should be paid enough to maintain a "standard" family of five.

Having occasion some three years ago to work over the amount and distribution of the national income, I was struck by its relative scantiness and the great difficulty which there would be of paying to all the wage that was commonly advocated. This mystified me until further investigation disclosed that only a small percentage of the male workers actually had families of five to support, and that the vast majority had fewer than four dependents. To pay all workers enough to maintain a family of five would indeed mean saddling industry with the maintenance of over forty-five million fictitious wives and children. It is this proposed payment of unneeded surpluses to single men and to those with fewer than three children which seems to make it impossible for industry to pay the customarily demanded wage.

The solution of this dilemma in which our whole wage policy finds itself is not to be found in the abandonment of the living-wage principle, but in the recognition that a single man does not need as much as a family with children. The way out, therefore, lies in the fixation of a minimum wage sufficient to support single men with added allowances for dependent wives, children, and other adults. The natural danger which such a plan would create in causing employers to discriminate against those with dependents in order to reduce their wages bill can be prevented, as is later explained, by the creation of funds which generalize the burden over

a group of employers as a whole. Such a plan, moreover, would make it possible to pay women an equal minimum with men and hence remove the dangers of their undercutting the men's rate.

The author soon discovered that such plans were spreading with great rapidity on the continent of Europe, and set about collecting material from the various countries. Upon finding out that the International Labour Office was planning an investigation of the same subject, a co-operative program of research was effected on the part of the University of Chicago with that body, through the kindness of its director, M. Albert Thomas, and the co-operation of Professor L. C. Marshall, of the University of Chicago, and Professor E. R. A. Seligman, of Columbia University. I have benefited greatly from the many original documents which the International Labour Office has thus collected for me, and I am especially indebted to Mr. J. H. Richardson, the member of the Secretariat in charge of the investigation. I have been greatly aided in the collection and interpretation of additional material by many people. Among these I should particularly like to thank Dr. Richard Arthur, of Sydney, Australia; Miss Alice Henry, of Chicago, and Mr. Alfred Henry, of Melbourne, Australia; Miss Eleanor Rathbone, of Liverpool, M. Émile Romanet, of Grenoble, France; M. Henry de Man, of Brussels, Belgium, and Dr. Wesley C. Mitchell.

I am also especially indebted to the following students of mine at the University of Chicago for assistance in computation and for criticism: Miss Mary Gorringer, Miss May Byrne, Miss Rachel Marshall, Miss Chalice Kelley, Mr. Paul Decker, and Mr. D. J. Vaughan. Mrs. George R. Taylor has been good enough to prepare the Index.

The substance of several chapters has already appeared in the form of articles in the *Quarterly Journal of Economics*, the *Journal of Political Economy*, the *Journal of the American Statistical Association*, and the *University Journal of Business*, and the editors of

these journals have been good enough to permit their republication.

My chief obligations, however, are to my wife, Dorothy Wolff Douglas, whose advice and assistance have been of the utmost value to me.

PAUL H. DOUGLAS

AMHERST, MASSACHUSETTS

January 26, 1925



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PART I

THE PROBLEM OF THE LIVING WAGE





## CHAPTER I

### THE LIVING WAGE AND THE FAMILY OF FIVE

One characteristic of labor's awakening is its demand for a living wage. The attempt to set minimum wages for women by governmental bodies is only one phase of this movement. Union groups in their dealings with employers and with governmental arbitration boards have demanded that such wages shall be paid to male workers as will also enable them "to live." Labor is not content with waiting for the ultimate workings of economic law to give them a "living." They demand that society take steps to insure it to them here and now.

This claim in its general outlines has deservedly received almost universal acceptance. Men and women must live, and, if worthy of employment at all, deserve to be paid enough to permit them to go on working. An industry that does not pay its workers enough to enable them to maintain themselves is extracting more vitality from its employees than it is returning to them. It is therefore parasitic, and either other sources are bearing the burden of supporting its workers or the workers themselves are making severe inroads upon their own strength.

It is only proper, therefore, that each industry and establishment should pay its own way and furnish its workers with enough for them "to live." The National War Labor Board but expressed the opinion of the vast majority when it declared<sup>1</sup> as one of its basic principles that "the right of all workers, including common laborers, to a living wage is hereby established."

<sup>1</sup> See "Principles and Policies to Govern Relations between Workers and Employers in War Industries for the Duration of the War," reprinted in Lauck and Watts, *The Industrial Code*, pp. 271-73.

But although few would openly deny the legitimacy of the principle, there has been a great deal of confusion as to the manner of its interpretation. The problems involved are fundamentally two: first, How many persons is the worker supposed to support? and, second, What commodities and services are necessary to enable them "to live"?

Workers, budgetary students, and social workers have all been virtually united in declaring that each adult male should receive enough to maintain a family of five. This type of family, consisting of father, mother, and three children, commonly considered as under fourteen, has been urged as the standard by which wages should be set. The two main reasons that have been advanced for the choice of this type of family are that the average family does, as a matter of fact, consist of approximately five persons,<sup>1</sup> and that at least three children to a family are needed to provide for the perpetuation of the race. The suggestion that such a family might properly derive a portion of its income from other sources than the wages of the husband and father and that therefore his earnings need not be equal to the cost of maintaining the family as a whole has been quite firmly rejected both by the workers themselves and by experts. The mother of such a family, it is argued, will have more than enough to do at home taking care of her three children, and cannot be expected to work outside the home for wages. The admission of boarders into the already crowded family life is not good policy save under the most exceptional circumstances, while an auxiliary income from a garden is not possible for the great mass of urban wage-earners. It is therefore urged that if the family life and the welfare of the children are to be preserved, the wage that the father receives must of itself be sufficient to maintain them.

In fixing women's wages, the standard commonly accepted by

<sup>1</sup> To be precise, the average American family in 1920 consisted of 4.3 persons. The census definition of a "family," however, includes all the members of a household. Boarders and servants are thus included, while a hotel or an institution is counted as one "family" and all its inmates as members thereof.

the various minimum-wage commissions is that of the single woman living away from home without dependents.

The second main problem in giving precision to the idea of the living wage is the determination of what commodities and services a family or an individual must have in order "to live." Four main standards, or "levels," of living applicable to the working class may be distinguished; namely, the poverty level, the minimum-of-existence level, the health-and-decency or "subsistence-plus" level, and, finally, the comfort level. A short description of the main features of each will perhaps give more concreteness to the problem.

1. *The poverty level.*—On this standard, the family is not on a basis of permanent self-support, and exists because of inroads which it makes upon its own health or upon its supply of furniture and goods. The family's dietary is generally appreciably below the standard of 3,300 calories which are needed for an adult male at moderately heavy labor. The family is badly overcrowded and has no resources with which to meet any unexpected expense. While costs necessarily vary from city to city, it is probable that it would cost a family of five between \$1,000 and \$1,100 to live on this scale in the larger American cities at the present time.

2. *The minimum-of-subsistence level.*—Families living on this standard receive enough to maintain themselves physically, but not enough to meet the major emergencies of illness, accidents, old age, etc., or to enjoy social pleasures that cost money. Since such families will in practice tend to insist upon securing some of these pleasures, they will in consequence tend to be somewhat undernourished and appreciably overcrowded. Thus, a family of five would occupy three rooms and sometimes four, but seldom if ever more. At the present time, families of five in the larger American cities would need somewhere between \$1,100 and \$1,400 to live on this level.

3. *The subsistence-plus, or the minimum health-and-decency level.*—It is this standard that earlier American students of budg-

ets, such as Chapin, More, and Kennedy tried to describe. A sufficient surplus is accumulated to enable the standard family decently to house itself in five rooms or, at the worst, in four, to purchase food with sufficient calories to meet the needs of the family, and to buy cheap but neat clothing. In addition, a modest balance would be available for recreation and for sundries. Such a standard would seem to cost from \$1,500 to \$1,800 in most of the larger American cities.

4. *The minimum-of-comfort level.*—It is this that is commonly thought of when one speaks of “the American standard of living.” A much more liberal standard of clothing, housing, and of sundries now becomes possible. Adequate insurance against the industrial risks may be purchased, and an appreciable amount of amusement and recreation may be enjoyed. The cost of such a standard for a family of five at the present time would probably range somewhere between \$2,000 and \$2,400 in our larger cities. Such a level of living, while desired by all, has, however, been attained by only a small proportion of the industrial wage-earners.

The detailed items of these budgets and the cost of each will be found in the large number of budgetary studies which are summarized in Table I.

The workers and their representatives in submitting their living-wage claims to employers and to arbitration boards have uniformly urged that this family of five should be taken as the norm and that all adult male workers should receive enough to maintain such a family. Generally also they have claimed a comfort level as a minimum for themselves, although in a few instances they have been content with a subsistence-plus standard for unskilled labor with differentials for the skilled.

Thus, in a large number of the street-railway wage cases that were submitted during the years 1919–23 to various agencies for adjustment, the unions based their claim for increases upon a comparison between the existing earnings of male workers and the

TABLE I  
TOTAL AMOUNTS REQUIRED TO SUPPORT THE STANDARD FAMILY OF  
FIVE ACCORDING TO VARIOUS BUDGETS\*

TIME	CITY	AUTHOR	AMOUNT OF BUDGET			
			Poverty	Subsistence	Subsistence Plus Health and Decency	Comfort
1905.....	New York	More	.....	.....	\$ 728	.....
1907.....	New York	Chapin	.....	.....	825	.....
1909.....	Mill towns of Georgia and North Carolina	U.S. Bureau of Labor Statistics	\$408	.....	.....	.....
1909.....	Fall River, Mass.	U.S. Bureau of Labor Statistics	484	.....	.....	.....
1910.....	Chicago	Kennedy	.....	.....	800	.....
1913-15.....	Philadelphia	Cotton and Little	.....	.....	1,070	.....
1914.....	New York	Straightoff	.....	\$ 876	.....	.....
1914.....	Buffalo	Straightoff	.....	772	.....	.....
1915.....	New York	Board of Estimate and Apportionment	.....	.....	846	.....
1917.....	New York.....	Board of Estimate and Apportionment	.....	980	.....	.....
1917.....	San Francisco	Peixotto	.....	.....	1,476	.....
1917.....	Seattle	Ogburn	.....	.....	1,506	.....
1917.....	New York	Bellevue Hospital	.....	1,018	.....	.....
1918.....	Eastern industrial centers	Ogburn	.....	1,386	.....	.....
1918.....	Eastern industrial centers	Ogburn	.....	.....	1,760	.....
1918.....	Philadelphia	Beyer	.....	.....	1,637	.....
August, 1919...	Washington	U.S. Bureau of Labor Statistics	.....	.....	.....	\$2,262
October, 1919...	Fall River, Mass.	Nat. Ind. Conf. Board	.....	\$1,268	\$1,574	.....

TABLE I—Continued

TIME	CITY	AUTHOR	AMOUNT OF BUDGET			
			Poverty	Subsistence	Subsistence Plus Health and Decency	Comfort
November, 1919	Lawrence, Mass.	Nat. Ind. Conf. Board	.....	\$1,386	\$1,658	.....
January, 1920..	Bituminous mining towns	Ogburn	.....	.....	.....	\$2,244
January, 1920..	West Hoboken, etc.	Nat. Ind. Conf. Board	.....	1,610	.....	.....
February, 1920..	Three Carolina cotton towns	Nat. Ind. Conf. Board	.....	1,410	.....	.....
May, 1920.....	Cincinnati, Ohio	Nat. Ind. Conf. Board	.....	.....	1,692	.....
June, 1920.....	Worcester, Mass.	Nat. Ind. Conf. Board	.....	.....	1,733	.....
October, 1920...	Chicago	Council of Social Agencies†	.....	.....	1,666	2,322
November, 1920	New York	Labor Bureau, Inc.	.....	.....	.....	2,633
1920.....	Meriden, Conn.	Associated Charities	.....	1,430	.....	.....
1920.....	San Francisco, Los Angeles, and Sacramento	Blum and Peixotto	.....	.....	.....	2,292
1921.....	San Francisco, Los Angeles, and Sacramento	Blum and Peixotto	.....	.....	.....	2,050
March, 1921....	New York (Harlem)	Labor Bureau, Inc.	.....	.....	.....	2,335
August, 1921....	Philadelphia	Beyer	.....	.....	1,847	.....
September, 1921	Detroit	Nat. Ind. Conf. Board	.....	.....	1,698	.....
November, 1921	Chicago	Labor Bureau, Inc.	.....	.....	.....	2,446
March, 1921....	Philadelphia	Labor Bureau, Inc.	.....	.....	.....	2,385
June, 1921....	Schenectady, N.Y.	Labor Bureau, Inc.	.....	.....	.....	2,667
February, 1922..	Anthracite region of Pennsylvania	Nat. Ind. Conf. Board	.....	.....	1,322	.....
March, 1923....	Chicago	Council of Social Agencies†	.....	1,170	.....	.....

\* The assignment of these budgets into the classes "poverty," "subsistence," "subsistence plus," and "comfort" has been somewhat arbitrarily done on the part of the author on internal evidence only. In many cases the authors of the budgets would have classed them differently.

† The Chicago figures for dependent families did not include any allowance for the expense caused by a male head of the family, or for rent. Supplying these items in the proportion which they form of family expenses on this level of living, we have the figure given above.

‡ It seems evident that the Chicago scale for 1923 was on a lower level than that for 1920.

amount that they would need to maintain a family of five. The United Mine Workers of America made its case for an increase before the United States Bituminous Coal Commission of 1919-20 largely upon this very issue.<sup>1</sup> The same claim was advanced in the 1920 arbitration proceedings for the anthracite coal industry by the miners' representative, W. Jett Lauck,<sup>2</sup> while the long-drawn hearings before the Railway Labor Board in 1921-22 were characterized by the insistence of the representatives of the railway employees' department that all railway men should receive enough for them to support a family of five. During this period many wage disputes in the book and job-printing industry were submitted to arbitration. The printing crafts, generally represented by the Labor Bureau, Inc., almost without exception advanced the argument that the cost of maintaining a family of five should constitute the minimum to be paid to all workmen.<sup>3</sup> Identical claims were advanced before Judge Alschuler in the 1921 stock-yards case by the same organization.

The cities of Dallas and New York have recognized this principle that men's wages should be sufficient to support the "standard" family by the wage rate which they have set for the unskilled employees in their city services,<sup>4</sup> while the decisions of arbitration boards in Seattle and San Francisco have affirmed the same position. Many other arbitration boards were distinctly swayed by the family-of-five argument, and only one body, the Railway Labor Board, definitely repudiated it.

<sup>1</sup> See the minority recommendation of Commissioner John P. White upon this point, *Report of the United States Bituminous Coal Commission*, pp. 74-80.

<sup>2</sup> See his exhibits, as presented to the Anthracite Coal Commission: *What a Living Wage Should Be*; *The Sanction for a Living Wage*; *The Practicability of a Living Wage*; *Income and Expenditures of Anthracite Mine Workers' Families in Scranton, Pennsylvania*.

<sup>3</sup> See, for example, the arguments in the Chicago press-feeders' case in 1922 as given in Franklyn Meines's *The Chicago Press-Feeders' Case*. The briefs submitted in the various other cases advanced claims of identical purport.

<sup>4</sup> See *Reports to the Board of Estimate and Apportionment of New York City on the Cost of Living for an Unskilled Worker*, 1915 and 1919.



Many economists, notably B. Seebohm Rowntree<sup>1</sup> and William F. Ogburn,<sup>2</sup> have indorsed the family of five as the general standard to be followed in fixing wages. It is therefore this standard which has come almost universally to be accepted as the test of the adequacy of the wage of the adult male.

<sup>1</sup> See his *The Human Needs of Labor*, pp. 34-35.

<sup>2</sup> "The Standard of Living Factor in Wages," *Proceedings American Economic Association, Thirty-fifth Annual Meeting*, especially pp. 121-22. Professor Ogburn stated, however, that a lower average might have to be adopted for some trades.

## CHAPTER II

### IS INDUSTRY ABLE TO PAY ALL ADULT WORKERS ENOUGH TO SUPPORT A FAMILY OF FIVE ?

A first approximation of the amount required to pay the wages now commonly demanded may be secured by multiplying the number in each industrial group by the wage that is claimed for that group. In 1920 a subsistence-plus standard of living for a family of five would have cost, in our larger cities, approximately \$1,700. This, then, is the probable amount which the present advocates of the living-wage doctrine would have demanded that an adult male worker should then receive. The cost in that year for an adult woman living by herself, in the larger cities of the country, would probably have been about \$16.50 a week or \$850 a year, which may be taken as the wage that would have been claimed for the women workers. The cost of living for the juveniles of from fifteen to twenty years is more difficult to ascertain, but it seems probable that at least \$550 would have been adjudged necessary for the boys and \$450 for the girls.

If these were the smallest amounts upon which a person should live, then not merely the wage-earners, but the salaried workers and all self-employed persons, such as farmers and small independent journeymen, should have been assured of this minimum as well.

#### I. A FIRST APPROXIMATION

An approximation of the total cost of providing such amounts will then be found by dividing those gainfully employed in 1920 into these four classes, adult males, adult females, and juvenile male and female workers. All child laborers between the ages of ten and fourteen years inclusive have been disregarded, since

presumably they should not be employed. This method is carried out in Table II.

No less than \$58,400,000,000 would apparently have been required to provide the basic minimum alone to all those that are gainfully employed.<sup>1</sup>

TABLE II

A FIRST APPROXIMATION OF THE PROBABLE COST IN 1920 OF PAYING THE GAINFULLY EMPLOYED WORKERS THE INCOME CUSTOMARILY DEMANDED AS NECESSARY

Class of Gainfully Employed	Number in Class in 1920 (in Millions)	Approximate Amount Regarded as Necessary in 1920	Total Cost in 1920 (in Billions)
Adult males* (20 years and over)....	29.7	\$1,700	\$50.5
Adult females* (20 years and over)....	6.7	850	5.7
Boys (15 to 19 years).....	2.8	550	1.5
Girls (15 to 19 years).....	1.5	450	.7
Total.....	40.8	.....	58.4

\* Includes those over 65 years.

The total income of the people of the United States, however, in 1919, the year previous, has been estimated by the National Bureau of Economic Research, after a very careful study, at only \$66,000,000,000.<sup>2</sup> The national income for 1920 was probably somewhat higher than this, since there was no appreciable decrease in physical production for the year as a whole, while the wholesale price level averaged 10 per cent higher than that of the preceding year. It seems probable, therefore, that the money income was approximately \$71,000,000,000.

<sup>1</sup> If \$1,600 had been used for the adult males, \$800 for the women, and \$500 and \$400 for the juveniles, the total would have amounted to \$54,900,000,000.

<sup>2</sup> National Bureau of Economic Research, *Income in the United States, 1909-19* (2 vols.), especially I, 13.

Had all those gainfully employed been given the amounts which were declared to be basically necessary in cities, therefore, there would have been left a surplus of \$12,600,000,000, or about 18 per cent of the total national income, for all other purposes. It should be quickly added that these estimates are based upon conservative appraisals of the cost of living in moderately large cities. In some of the metropolises, such as Philadelphia and New York, however, such an estimate was an understatement by about 10 per cent. In many of the smaller cities, on the other hand, the costs would have been below the figures given, while in the open farming localities they would have been lower still. The total amount required would therefore probably have been less than \$58,000,000,000 and the surplus more than \$13,000,000,000.

It would seem at first thought that such a surplus would be more than sufficient for all needs and that industry was abundantly able to pay to all the male workers the wage that is customarily demanded for them. This, however, becomes distinctly doubtful when the other claims upon this surplus are considered.

1. The necessity for differential wages would absorb many billions of dollars. It would be impracticable to pay all workers only the minimum, for if this were done, then there would be no financial incentive for added effort and efficiency, nor for men to learn the more skilled trades. Some idea of how much would be needed for this purpose may be inferred from the fact that to pay one-quarter of the workers a differential of 50 per cent would consume (on the scale outlined above) no less than \$7,000,000,000. That this is probably an understatement of what would be required is indicated by the present differentials of 100 and 200 per cent between the wages of unskilled labor and of skilled craftsmen in the building and printing trades. While some of these differentials are due to monopoly, a large portion is probably inevitable.

2. The necessary interest payments would also absorb billions of dollars. While there can be but little question that many men receive interest upon capital which they have not really earned

and that a great deal of saving would occur at a lower interest rate than that which is paid;<sup>1</sup> it is nevertheless true that probably most saving would cease if no interest at all were given. The payment of some interest is therefore necessary to secure the fresh supply of capital which society needs in order to increase the amount of goods produced.

3. The payment of profits would make a still further inroad upon the surplus. While it may be true that in a perfectly static society competition would succeed in eliminating profits, nevertheless, in a changing yet competitive society profits, while ever tending to disappear, will probably always exist. Men who start new and paying projects, or initiate improvements in technique, will inevitably receive a differential reward until these gains are diffused, through imitation, over industry as a whole. By this time, however, the original inventors, or others, will have started some other improvement which will net them a gain. Changes in public tastes will operate in a similar way. In any dynamic competitive society, therefore, part of the national income must necessarily accrue in the form of profits.

4. As long as we hold to our present system of landed property, a considerable proportion of the national income will have to be paid in rent. Since some land is either more productive or more advantageously situated than other land, men will be willing to pay more for its use. With the exception of the improvements in or on the land, it is of course true that it is the pressure of population that gives value to the bare land. The increase in bare-land values is not caused by the efforts of men; it is caused by the increase in the number of people dependent upon the land for support. While I believe it to be only just that the community and not the person who chances to "own" the land should receive the value which the community creates, it will be a long time before

<sup>1</sup> For the most effective statement of this position, see A. B. Wolfe, "Savers' Surplus and the Interest Rate," *Quarterly Journal of Economics*, XXXV (1920), 1-35.

society can be persuaded to socialize land, and in the meantime rent will have to be paid out of the national income.

The total amount paid out during 1918 in the three fields of manufacturing, mining, and land transportation in the form of rent, interest, and dividends was estimated by the National Bureau of Economic Research at \$5,100,000,000, or 22.7 per cent of the total value product of the industries.<sup>1</sup> This was appreciably below the average for the nine preceding years, but, allowing for the increase in the price level, it would have amounted at this rate to approximately \$6,000,000,000 in 1920. To this would have to be added the interest, rent, and profits in other lines of enterprise. The writer believes that the amount thus paid out can and should be reduced, but for the reasons stated he believes that the sums will continue to be appreciable.

Even were producers' capital and land socialized, and the payment of rent and interest to private individuals greatly lessened or abolished, it would still be necessary for society to continue to save in order to improve its material position. Dr. W. I. King estimates that the present volume of saving in the United States amounts approximately to 12 per cent of the national income,<sup>2</sup> and probably somewhere near this proportion should continue permanently to be saved even if industry were socialized. For society to have saved 12 per cent in 1920 would have meant a deduction from the total annual income of \$8,500,000,000, while a saving of 10 per cent would have amounted to \$7,000,000,000.<sup>3</sup>

Unless there were a remarkable increase in the per capita

<sup>1</sup> *Income in the United States*, I, 97.

<sup>2</sup> "The Net Volume of Saving in the United States," *Journal American Statistical Association*, XVIII, 305-23, 455-70.

<sup>3</sup> For a more detailed estimate of the capital needs of industry on the basis of the March, 1921, price level, see Paul and Dorothy Douglas, "What Can a Man Afford?" Supplement, *American Economic Review*, December, 1921, pp. 34-48, where the sum is fixed at \$6,100,000,000. At the 1920 price level this would have amounted to about \$8,000,000,000. This, however, did not make allowance for existing capital equipment which is idle, and hence somewhat overstates the need.

amount of the national product, it would seem, from such statistics as have been computed, that it would probably be impracticable to pay the workers, either under this economic system or under any other, the sums which are now commonly demanded for them by advocates of the living wage.

Before finally passing judgment upon this issue, however, we should study the problem more closely. There are two chief methods whereby this may be done: (1) By comparing the cost of living in a locality where living costs are uniform with the value of the products turned out by that locality. This will remove whatever error is involved in assuming that a uniform minimum would be required over areas in which living costs do in reality differ. (2) By measuring, not the capacity of all industry to pay the wages demanded, but rather that of specific industries or groups of industries in turn.

## II. THE ABILITY OF THE MANUFACTURERS OF A GIVEN LOCALITY (PHILADELPHIA) TO PAY THE WAGE DEMANDED

Philadelphia is probably the best locality that could be chosen for the first purpose, since two detailed cost-of-living studies were made there in late 1918 and early 1919, which can be compared with the statistics of the 1919 Census of Manufactures for that city. The investigation by the Philadelphia Bureau of Municipal Research<sup>1</sup> showed that in the fall of 1918 the cost of living for a family of five on a subsistence-plus standard was \$1,637. Two years subsequently, the cost of an identical budget amounted to \$1,847, and \$1,700 may therefore be taken as the approximate average for the year 1919 as a whole. Mrs. Douglas' investigation in 1919 into the cost of living in that city for a single woman living away from home showed at least \$15 a week to be necessary. The corresponding annual amount for women may then be regarded as \$780.<sup>2</sup>

<sup>1</sup> Beyer, Davis, and Thwing, *Workingman's Standard of Living in Philadelphia*.

<sup>2</sup> Dorothy W. Douglas, "The Cost of Living for Working Women," *Quarterly Journal of Economics*, XXXII (February, 1920), 225-59.

Table III shows the extra burden which would have been imposed upon the manufacturing establishments of that city had such amounts been paid.

Had such payments then been made to the manual workers, the additional cost would have amounted to something over \$69,000,000. Had the salaries been maintained merely at the then existent level, the clerical workers would have received only a 2 per cent differential over the wage of the manual workers, and the supervisory employees one of only 37 per cent.

The truth of the matter is that the increase in wages and salaries could not have stopped with \$69,500,000. It would have been manifestly impossible to pay all the workers a uniform wage, since there would then have been no financial incentive for workmen to prepare themselves for the more skilled trades. This would have necessitated further increases for the skilled and supervisory labor.<sup>1</sup>

The extent to which Philadelphia's industries would have been able to stand the strain of such increases can be judged from the fact that their total net profits in 1919, after allowing 2.9 per cent for depreciation upon invested capital and 7.6 per cent of the total expense for selling and advertising, would have amounted to \$140,400,000. To surrender \$69,500,000 in increased wages would have left them with \$70,900,000, or a return of 4.5 per cent upon the \$1,552,000,000 of invested capital.

This does, of course, indicate a greater capacity to pay than was shown for the country as a whole by the previous estimates. The balance would nevertheless seem to be scarcely sufficient, under capitalism, to compensate people for their savings and to reimburse businesses for losses in such less prosperous years of

<sup>1</sup> As a partial offset to this, it should be pointed out that, due to the impossibility of separating juveniles from sixteen to twenty years, they were included in the number of men and women employees who would have received \$1,700 and \$780 a year respectively, and hence pad the figure somewhat unduly. The amount of this excess, however, probably would not have amounted to more than \$6,000,000 or \$7,000,000.



TABLE III  
THE COST WHICH WOULD HAVE BEEN INCURRED IN 1919 IN THE MANUFACTURING INDUSTRIES OF PHILADELPHIA,  
BY PAYING ANNUAL WAGES EQUIVALENT TO ACCEPTED BUDGETS  
(Data on Wages Taken from 1919 Census of Manufactures, Bulletin on Pennsylvania)

GAINFULLY EMPLOYED GROUP	NUMBER IN EACH CLASS	PROPOSED YEARLY WAGE	TOTAL AMOUNT OF WAGES AT PROPOSED YEARLY WAGE (IN MILLIONS)		TOTAL WAGES PAID, 1919 (IN MILLIONS)	EXTRA COST ENTAILLED BY PAYING GIVEN WAGES (IN MILLIONS)
			Amount	Total for Class		
I. Wage-earners*						
Over 16 years.....				\$396.3	\$326.8	\$69.5*
Men.....	196,903	\$1,700	\$334.7			
Women.....	78,912	780	61.6			
II. Salaried clerks.....				48.0	49.1	1.1†
Men.....	22,022	1,700	37.4			
Women.....	13,595	780	10.6			
III. Proprietors and officers, managers, etc.....						
Men.....	21,346	1,700	36.3	37.0	50.9	13.9†
Women.....	843	780	.7			
Total.....	333,621		481.3	481.3	426.8	

\* Wages of 5,200 boys and girls under 16 years omitted for lack of a good wage base, and because of smallness of item in budget.

† Indicates decrease.

the business cycle as 1921 and 1922, or, under socialism, to satisfy the annual requirement for saving.

### III. THE ABILITY OF SPECIFIC INDUSTRIES AND GROUPS OF INDUSTRIES TO PAY THE WAGES DEMANDED

The author has studied each of the 356 manufacturing industries of the country in order to determine their ability, in 1919, to grant wage increases. The study sought to ascertain the probable amount of the net profits in each industry in that year, in order to determine the approximate rate of return which this afforded upon invested capital, and the amount by which wages could have been increased had all the net profits been distributed among the workers.

The method of ascertaining the probable net profit was to deduct from the gross value of the manufactured product the following items:<sup>\*</sup> (1) cost of raw material, fuel, and power, (2) rent and taxes, (3) value of contract work done, (4) estimated depreciation (in default of accurate depreciation estimates for the overwhelming number of industries, the standard formula of Moody's Service, namely, 2.927 per cent upon invested capital, was used),<sup>2</sup> (5) the amount paid out in the form of wages, (6) the total paid out in salaries, (7) the probable expense occasioned by selling, advertising, and miscellaneous items. Statistics upon this latter point are not given in either the 1919 or 1914 Census of Manufactures, but are contained in that of 1909. The percentage which such items formed of the total of all other costs of production in each of the industries in 1909 was then found, and the corresponding percentage was used for the corresponding industry in 1919. Owing to the relative growth in advertising and the increased importance of marketing, there can be but little doubt

<sup>\*</sup> The Abstract of the 1919 Census of Manufactures was the source used.

<sup>2</sup> This is probably an understatement, since it would only provide for the replacement of capital every thirty-five years. The rate of wear and tear upon buildings and equipment must be much more severe than this, while obsolescence must be considered in addition.

that such percentages, in the main, understate the amounts actually expended in 1919 for these purposes, and hence err on the side of conservatism in estimating the real costs. The residue left after all these deductions had been made constituted the probable amount which the owners received in the form of interest and net profits.

The next step was to ascertain the probable *rate* of return which this amounted to on the capital invested in each industry. This was done by dividing the probable amount of net profits by the census figures for the amount of invested capital. Too much reliance, however, should not be placed upon the results, since census data on the amount of invested capital are defective. These figures, in the first place, represent returns made by the owners themselves, and are, therefore, at best a rough approximation. Secondly, the totals frequently represent capitalized earning power and not physical investment. Finally, in so far as the figures are based upon cost, original costs have been used, with the result that the dollars invested at differing price levels were all treated as comparable units.

In Table IV, the various industries have been grouped according to the average indicated rate of return in each case. In so far as these figures may be relied upon, they indicate that approximately 9 per cent of the industries averaged a loss in 1919 and that 20 per cent enjoyed a return of less than 4 per cent. Approximately two-fifths of all the industries averaged between 4 and 12 per cent, and 30 per cent received more than a 14 per cent return. Twelve per cent, or approximately one-eighth, averaged more than a 25 per cent return.

The statistics as to the amount by which wages might have been increased in the various industries, had all the interest and net profits been completely devoted to the workers, do not involve any question as to the accuracy of the figures on invested capital,<sup>2</sup> and hence may be relied upon much more fully.

<sup>2</sup> Save as regards the estimates for depreciation.

Table V shows the average annual amount which the workers and salaried employees in the various industries would have received had the owners of industry foregone all interest and profits and added these sums to the existent wage scales.<sup>1</sup>

TABLE IV  
ESTIMATED AVERAGE RATES OF RETURN UPON INVEST-  
MENTS IN AMERICAN MANUFACTURING  
INDUSTRIES, 1919

Indicated Percentage of Return upon Capital Invested	Percentage of Manufacturing Industries in 1919 Included in Each Class	Cumulative Percentage
Loss . . . . .	9	.....
0-2 . . . . .	5	14
2-4 . . . . .	6	20
4-6 . . . . .	6	26
6-8 . . . . .	11	37
8-10 . . . . .	13	50
10-12 . . . . .	10	60
12-14 . . . . .	11	71
14-16 . . . . .	5	76
16-18 . . . . .	5	81
18-20 . . . . .	4	85
20-25 . . . . .	3	88
Over 25 . . . . .	12	100

Virtually one-ninth of the industries, therefore, could not have paid more on the average than \$1,000 annually; approximately one-third could not have exceeded \$1,200, and one-half could not have gone beyond \$1,400. Two thirds would have fallen below \$1,600, while only a little less than one-seventh could have paid more than \$2,000 a year.

Finally, it is desirable to turn from a consideration of what the total earnings would have been in the various manufacturing industries considered separately, to an evaluation of the results for

<sup>1</sup> The averages of annual earnings are those of all the workers, since it has been found impossible to segregate the adult males from the employed women and juveniles in each individual industry. By paying these two latter groups less, it would be possible to increase the average wages of the adult male employees above the point indicated.

the fourteen major divisions into which the industries may be grouped, together with totals for all industry as a whole, and this is done in Table VI.

TABLE V  
AVERAGE ANNUAL TOTAL THAT COULD HAVE BEEN PAID  
BY THE VARIOUS INDUSTRIES IN WAGES HAD ALL INTER-  
EST AND NET PROFITS BEEN DISTRIBUTED EQUALLY  
AMONG WAGE-EARNERS AND SALARIED WORKERS

Total Annual Wage	Percentage of Industries in 1919 Which Would Have Fallen in Each Class	Cumulative Percentage under Upper Point in Each Class
Less than \$700.....	4	.....
\$ 700- 800.....	1	5
800- 900.....	2	7
900-1,000.....	4	11
1,000-1,100.....	5	16
1,100-1,200.....	12	28
1,200-1,300.....	11	39
1,300-1,400.....	11	50
1,400-1,500.....	8	58
1,500-1,600.....	10	68
1,600-1,700.....	6	74
1,700-1,800.....	5	79
1,800-1,900.....	4	83
1,900-2,000.....	4	87
2,000-2,500.....	9	96
Over \$2,500.....	4	100

The tobacco-manufacturing industry, with total annual earnings of only \$789, was the only industry in 1919 where the wage would have fallen below \$1,200 annually had all the interest and net profits been given to labor. The average for all the manufacturing industries as a whole would have been \$1,537 had manual workers alone shared in the distribution of profits, and \$1,485 if salaried workers had participated as well. This, however, is a composite average for the adult men, women, and juveniles employed. Eleven per cent of all the workers in manufacturing were adult women, and 12 per cent were juveniles under twenty years. Estimating the average wage of women at approximately

TABLE VI  
AN ANALYSIS OF AMERICAN MANUFACTURING INDUSTRIES IN 1919 TO DETERMINE THEIR ABILITY  
TO PAY INCREASED WAGES  
(Data Compiled from the Census of Manufactures, 1919)

Group	Probable Amount of In- terest and Net Profits (in Millions)	Estimated Average Rate of Return upon Capital	Average Amount by Which Annual Earnings Would Have Been In- creased Had All the Interest and Net Profits Been Shared among Wage-Earners Alone	Average Amount of Earnings of Wage-Earners if Interest and Net Profit Were Thus Shared	Average Amount by Which Annual Earnings Would Have Been In- creased Had All the Interest and Net Profits Been Shared among Wage-Earners and Salaried Workers as Well, on a Per Capita Basis	Earnings of Wage-Earners if Interest and Net Profit Were Shared Between Wage and Salaried Workers
Food and kindred products.....	\$ 431.3	9.3	\$630	\$1,685	\$507	\$1,562
Textiles.....	735.4	12.1	456	1,376	418	1,238
Iron and steel.....	615.3	7.1	388	1,771	334	1,717
Lumber and its manufacture.....	278.1	10.8	332	1,342	303	1,313
Leather and products.....	187.0	12.3	535	1,575	475	1,515
Paper and printing.....	252.0	10.7	498	1,614	373	1,489
Liquors and beverages.....	26.0	3.3	468	1,661	371	1,564
Chemical and allied products.....	280.7	5.0	657	1,813	500	1,656
Stone, clay, and glass products.....	113.7	9.0	381	1,481	341	1,441
Metals and metal products.....	103.9	5.8	306	1,468	265	1,327
Tobacco manufacture.....	— 22.7	— 3.8	— 145	789*	— 132	789*
Vehicles for land transportation.....	137.8	5.7	278	1,668	243	1,633
Railroad repair shops.....	— 47.9	— 6.2	— 93	1,409†	— 87	1,409†
Miscellaneous industries.....	358.7	6.8	292	1,545	247	1,500
Total.....	3,449.1	7.8	379‡	1,537	327	1,485

\* Same earnings as before with no deduction for losses of industry. If losses were to be shared by wage-earners alone, the annual wage would be \$145 less; if by both wage and salary workers, \$132.

† Same earnings as before with no deduction for losses of industry. If losses were to be shared by wage-earners alone, the annual wage would be \$93 less; if by both wage and salary workers, \$87.

‡ On the assumption that the deficits in tobacco-manufacturing and railroad repair shops would be borne by all industry as a whole.

one-half and that of juveniles at 40 per cent of the wage which men received, the average for all the adult males could have been raised to \$1,700 per person. This would have been almost exactly equal to the amount required to maintain a family of five in Philadelphia in that year. The cost in the smaller cities and towns would, of course, have been somewhat less, but it should be remembered that the bulk of manufacturing is done in the larger centers. It would probably, therefore, have been possible in 1919 to pay male workers in manufacturing industries enough to support a family of five had all the net income of the manufacturing industries been devoted to that purpose.

Under such conditions, however, it should be realized that (1) no savings for industrial development would have been made, (2) all manual workers would have been paid the same wage and no differential would have been allowed for the more skilled workers, (3) no interest or profits would have been allowed the owners and managers of business.

The first of these conditions would be undesirable in the long run in any state of society, since one of the most effective ways of increasing the material condition of the wage-earners is to give them better and more efficient tools with which to work. The second would be impossible in any save a communistic society. The payment of interest and net profits would probably be greatly reduced in a socialistic state by transferring funds now spent on luxuries for the rich to necessities for the many. Even here, however, the fringes of industry would probably still remain under private direction, and hence private profit could not be completely eliminated.

The possibility of paying the wage which is customarily demanded is of course even less in a period of depression, such as we experienced in 1921 and 1922, than in a year of prosperity such as 1919. From computations that I have made which have been based on the 1921 Census of Manufactures, the approximate amount of net profits and interest received by the owners and

managers of the manufacturing industries was approximately \$1,000,000,000. The distribution of this amount among the wage workers alone would have raised their annual earnings by only \$144 and would have brought their average earnings to only \$1,325. Had the sum been shared with the salaried workers, the increase would have amounted to but \$124 and the new average to \$1,305.

It seems probable, therefore, that it would not be practicable to pay each adult male worker enough to maintain a family of five under the present structure of society, and that this would also tend to be impracticable under socialism and, in all probability, under communism as well.

The statistics which have just been adduced seem to present a paradox. It seems incredible that the richest country in the world, so patently overflowing with the material things of life, should be unable to pay its workers a living wage.

As a matter of fact, however, these statistics do not show that our industries are unable to provide a decent wage to the people of the country; they merely indicate that industry probably cannot afford to pay every adult male enough to maintain a family of five. It only follows that the workers and their dependents cannot be provided for, if the gainfully employed men in the country do actually have such families. It is highly important, therefore, to determine just to what degree the family of five is actually representative and how many dependents the workers actually have, and it is that which the following chapter attempts to do.



## CHAPTER III

### IS THE FAMILY OF FIVE TYPICAL? —

For a long time, little statistical information existed concerning the size of families or the relative number of persons dependent upon the gainfully employed. Such material as the various national censuses gave consisted merely of the total population and the number of "households" or "families." The average-sized family might then apparently be found by dividing the former by the latter. This, however, at its best was only an average and did not indicate the proportion of families which were below and above this average number. The term "family" or "household," moreover, was generally very inexact, and in the United States included all who kept house together under one roof, thus counting each of our metropolitan hotels as a family. Finally, the number included in the family as a social unit is by no means equivalent with the number dependent upon its head, since there may well be two or more gainfully employed persons helping to support the dependents.

Fortunately, within the last few years a number of investigations have thrown a great deal of light upon this question and enable us to test the degree to which male wage-earners actually have families of five dependent upon them.

#### I. THE SIZE OF FAMILIES IN GREAT BRITAIN

The first thorough analysis in Great Britain of the number of children dependent upon the workers for support was made by Bowley and Burnett-Hurst in *Livelihood and Poverty*. Approximately one out of every twenty working-class households in four cities was visited and the composition of approximately two

thousand families with male wage-earners was then analyzed with the results shown in Table VII.<sup>1</sup>

TABLE VII  
FAMILY COMPOSITION OF WORKING-CLASS HOUSEHOLDS  
IN FOUR ENGLISH CITIES

Number of Dependent Children of All Ages per Family	Percentage of Families with Male Wage-Earners Having Given Number of Dependent Children
0.....	30.2
1.....	21.9
2.....	18.8
3.....	13.0
4.....	8.2
5.....	4.0
6 or more.....	3.9

Since the household was made the unit, and not the worker, the inclusion of single workers without dependents would have increased appreciably the percentage with no dependent children. Even as it was, however, the family of three children was found to be characteristic of only 13 per cent of the households, while 70.9 per cent had less than this number and 16.1 per cent had more.

Bowley followed this study up in 1921 by sampling one household's schedule out of fifty, in the 1911 census, in seven additional cities. All middle-class families were eliminated and data on working-class households alone compiled.<sup>2</sup> Table VIII summarizes his results.<sup>3</sup>

Bowley pointed out that, assuming "the only person over 14 properly dependent on the man is his wife and also that the father is solely responsible for the support of all children under 14, and that a wage is fixed adequate for a man, wife and three children,"

<sup>1</sup> Computed from data in Bowley and Burnett-Hurst, *Livelihood and Poverty*, p. 30.

<sup>2</sup> A. L. Bowley, "Earners and Dependents in English Towns," *Economica*, I (May, 1921), 101-13.

<sup>3</sup> Computed from data given by Bowley, *ibid.*, pp. 107-8.

then, after eliminating the broken families and those where no man was working, "the wage would be exactly adequate in only 11 per cent of the households; it would be inadequate in 13 per cent of the cases and would allow a margin in 76 per cent."<sup>1</sup>

TABLE VIII  
RELATIVE NUMBER OF DEPENDENTS IN HOUSEHOLDS  
OF SEVEN ENGLISH CITIES, 1911

NUMBER OF DEPENDENTS* (I.E., NON-EARNERS)		PERCENTAGE OF HOUSEHOLDS (EXCLUDING BROKEN FAMILIES AND THOSE WHERE NO MALE WAS EMPLOYED)	
Below 14	Above 14	Skilled	Unskilled
0	0	8	9
0	1	26	26
0	2 (or more)	5	3
1	0	2	2
1	1	17	16
1	2 (or more)	2	2
2	0	1	2
2	1	14	13
2	2 (or more)	2	1
3	0	0	1
2	1	9	9
3	2 (or more)	2	1
4	1	6	6
4	2 (or more)	2	1
5	1	4	5
5	2	1	2

\* By "dependent" is meant a non-wage-earner, e.g., a wife at work is not classed as a dependent. This prevents the table itself from showing how many should be dependents. Less than 2 per cent of the wage-earners, however, were under 14.

The relative number of workmen, including both married and single, classified according to the number of children under fourteen years dependent upon them for support, is shown in Table IX.<sup>2</sup> According to this table, only 8.4 per cent had three such children dependent upon them, while 81.8 per cent had less than this number, and 9.8 per cent had more. Over 50 per cent had no children at all.

<sup>1</sup> Bowley, *op. cit.*, pp. 108-9.

<sup>2</sup> *Ibid.*, p. 111.

As a result of the general interest in the relative number of dependents in the families, the British census in 1921 added a question calling for the number of children under sixteen years for

TABLE IX  
WORKMEN IN SEVEN ENGLISH CITIES CLASSIFIED ACCORDING  
TO THE NUMBER OF CHILDREN DEPENDENT  
UPON THEM

Number of Dependent Children under 14 Years	Number of Workmen out of 1,000 with Given Number
0.....	531
1.....	162
2.....	125
3.....	84
4.....	55
5.....	28
6.....	10
7.....	4
8 or more.....	1

each married man or woman. When this was added to the statistics gathered concerning the number of single men and women in comparison with the number married, widowed, or divorced, there was made possible for the first time a picture of the family composition of the households of millions of workers. The returns are being published by counties, and the combined results for the country as a whole have not yet been issued, but the returns for the first fourteen counties, covering approximately 6,800,000 gainfully occupied males of twenty years and over, which are given in Table X, are doubtless representative of conditions in general.

Table X shows the number of single, married, widowed, and divorced adult males who were gainfully employed and the proportion which each formed of the total.<sup>1</sup>

<sup>1</sup> The number of occupied males who were either married or widowed and divorced is given directly for each county. The total number of males of twelve years and over is also given. By subtracting the number of males of the years twelve to nineteen inclusive less the number of married juveniles from this figure, one secures the number of adult unmarried males of twenty years and over who are gainfully employed.

Slightly over 26 per cent of all the adult males who are gainfully occupied are, therefore, unmarried. Only an insignificant proportion of these have nephews or nieces to support, although more, doubtless, have adults who are dependent upon them. Few, however, have the equivalent of a family of five to care for, and it seems probable that the majority have no one completely dependent upon them.

TABLE X

MARITAL CONDITION OF 6,800,000 ADULT OCCUPIED MALES (20 YEARS AND OVER) IN 14 ENGLISH AND WELSH COUNTIES, 1921

COUNTY	NUMBER OF OCCUPIED MALES 20 YEARS AND OVER ACCORDING TO MARITAL CONDITION (IN THOUSANDS)				PERCENTAGE OF OCCUPIED MALES 20 YEARS AND OVER ACCORDING TO MARITAL CONDITION		
	Single	Married	Widowed or Divorced	Total	Single	Married	Widowed or Divorced
London.....	324	821	55	1,200	27	68	5
Middlesex.....	69	240	12	321	21	75	4
Durham.....	127	272	19	418	30	65	5
Essex.....	100	277	16	393	25	71	4
Glamorgan.....	107	234	17	358	30	65	5
Hartford.....	22	62	3	87	26	70	4
Kent.....	80	211	13	304	26	70	4
Lancaster.....	367	928	67	1,362	27	68	5
Monmouth.....	38	85	6	129	29	66	5
Stafford.....	93	256	17	366	25	70	5
Surrey.....	61	172	9	242	25	70	5
Warwick.....	94	272	17	383	24	71	5
Worcester.....	28	76	5	109	25	70	5
Yorkshire.....	305	817	55	1,177	26	69	5
Total.....	1,815	4,723	311	6,849	26.5	69.0	4.5

The married and widowed workers in each county are also classified according to the number of children under sixteen that they have, as is shown in Table XI. Owing to the newness and complexity of the question calling for the number of children, it is probable that a considerable proportion of parents did not make full reports. The British census, however, believes that a "reasonable degree of confidence" may be placed in the results for the

TABLE XI

RELATIVE NUMBER OF CHILDREN UNDER 16 YEARS PER FAMILY IN 14 ENGLISH AND WELSH COUNTIES, 1921

COUNTY	PERCENTAGE OF MARRIED MEN OR WIDOWERS WITH VARYING NUMBER OF LIVING CHILDREN UNDER 16										
	No Children or No Statement	1	2	3	4	5	6	7	8	9	10 or More
London.....	43.8	22.6	15.0	8.7	5.0	2.8	1.4	.5	.2	0	0
Middlesex.....	42.7	24.0	16.2	8.6	4.4	2.3	1.1	.5	.2	0	0
Durham.....	34.6	22.9	17.0	11.4	7.1	4.1	2.0	.7	.2	0	0
Essex.....	42.2	23.0	15.7	9.0	5.1	2.8	1.4	.5	.2	.1	0
Glamorgan.....	35.8	23.1	16.6	10.7	6.6	3.9	2.0	.9	.3	.1	0
Hartford.....	45.7	22.7	15.0	8.0	4.5	2.3	1.1	.5	.2	0	0
Kent.....	46.0	22.5	14.7	8.1	4.4	2.4	1.2	.5	.2	0	0
Lancaster.....	42.5	23.9	15.5	8.8	4.9	2.6	1.2	.5	.1	0	0
Monmouth.....	34.4	23.3	17.0	11.1	6.8	4.0	2.1	.9	.3	.1	0
Stafford.....	38.0	23.1	16.2	10.1	6.2	3.6	1.8	.7	.2	.1	0
Surrey.....	46.5	23.0	15.1	7.8	4.0	2.1	1.0	.4	.1	0	0
Warwick.....	40.9	23.9	16.1	9.1	5.1	2.8	1.3	.5	.2	.1	0
Worcester.....	43.3	23.0	15.1	8.9	5.0	2.7	1.3	.5	.2	0	0
Yorkshire.....	43.1	23.7	15.3	8.7	4.8	2.6	1.2	.5	.1	0	0
Total.....	41.9	23.3	15.6	9.1	5.2	2.9	1.4	.5	.2	0	0

married people, "accounting as they do for about 90 per cent of the children."<sup>1</sup> The fact that they roughly check with Bowley's earlier study of ten thousand workers gives them a further degree of corroboration within the range of 10 per cent.<sup>2</sup>

Forty-two per cent of the married workers seem, therefore, either to have had no dependent children at the time that the inquiry was made or to have neglected to report such as were dependent. Twenty-three per cent had only one child, and 16 per cent had two; 81 per cent in all, therefore, had less than the number commonly set as the standard. Only 9 per cent of those that were married had exactly three children, while 10 per cent had more than this number.

Since the married and widowed workers formed only 73.5 per cent of all the adult males, it will be seen that the so-called standard family was in reality characteristic of only 6.6 per cent of all the workers. The average number of children under sixteen per married workman was indeed only 1.31, and only .95 for all workmen, whether married or single.

## II. FRANCE AND BELGIUM

There are two interesting investigations into the size of French families. The first was that conducted in 1919 by a group of Parisian manufacturers into the family status of 99,600 workmen who were almost exclusively employed in the metallurgical and metal industries of the capital.<sup>3</sup> They found that 36.9 per cent of the total were either unmarried or widowed or divorced without having dependent children. On the other hand, 63.1 per cent were married, and had dependent upon them the number of children shown in Table XII.

<sup>1</sup> See report on County of Middlesex, Census of England and Wales, 1921 (1923), p. xxxi. Similar statements are made in the case of most of the other counties.

<sup>2</sup> That is, 10 per cent of the figure given.

<sup>3</sup> See Pierre Richemond, "Allocations pour charges de famille et caisses de compensation," *Revue d'économie politique*, XXXIV, 590-91.

The family of three children thus seemed to be characteristic of only 6.4 per cent of the 63 per cent of the workers who were married, or only 4 per cent of the total number of workers, while even less than this number had more than three children dependent upon them for support.

TABLE XII  
NUMBER OF CHILDREN DEPENDENT UPON MARRIED WORKMEN  
IN PARISIAN METAL INDUSTRY

Number of Children	Percentage of Married Workmen
0.....	38.4
1.....	33.6
2.....	17.5
3.....	6.4
4.....	2.5
5 or more.....	1.6
<hr/>	
Total.....	100.0

The second investigation was that made in 1923 by Dr. Peret, of Lyons, for the Comité des Allocations Familiales, covering several hundred thousand employees, who found that only 24.7 per cent of the workers were fathers of children.<sup>1</sup> A large number of women and juveniles were, however, included as workers. The average number of children in families where there were any at all was 1.65. Only 11 per cent of this group had three children, while 83 per cent had fewer and 6 per cent more than this number.

An analysis by a Belgian engineer, M. Midol, of the family status of over eleven thousand employees in some coal mines, stone quarries, cement factories, and construction shops of Belgium showed that the family of three dependent children was characteristic of approximately only 5 per cent of all the workers while a full 90 per cent had fewer than three children to support.

<sup>1</sup> Dr. Peret, "Répartition des allocations suivant les charges familiales," *Compte-rendu, III congrès nationale des allocations familiales*, 1923.



## III. THE UNITED STATES

The 1920 census of occupations showed that 27.6 per cent of all the males between the ages of twenty and sixty-five were unmarried,<sup>1</sup> and this proportion may be accepted as applying to all gainfully employed adult males. Since the number of gainfully employed adult males in the same age group was approximately 28,300,000 in 1920, we may then estimate the number of unmarried male workers at 7,800,000. These certainly do not have families of five to support.

While the census schedules contain data on the size of families, this material has never been tabulated or made available in the official reports. There are three investigations, however, which do give admirable material upon this very question. The first of these is contained in the well-known *Eighteenth Annual Report of the United States Bureau of Labor*.<sup>2</sup> This investigation secured the budgets of 25,440 working-class families in thirty-three states and as a by-product of its work collected material on the family composition of 11,156 of these which were classified as "normal." A "normal" family was defined<sup>3</sup> as one where the husband was at work, where there were a wife and not more than five children, none over fourteen, and, finally, where there was no "dependent" boarder, lodger or servant."

Table XIII shows the number and proportion of families with varying numbers of children.<sup>4</sup> All bachelors, it should be remembered, are excluded from consideration, and only families are covered.

According to this table, the family of three children was characteristic of only 17.7 per cent of the total number. Sixteen per cent of the families had more than three children, while 68.3 per cent, or virtually two-thirds, had less.

<sup>1</sup> Computed from data given in the Abstract of the Fourteenth Census, p. 222.

<sup>2</sup> "The Cost of Living and Retail Prices of Food."

<sup>3</sup> *Ibid.*, p. 90.

<sup>4</sup> By this was undoubtedly meant an adult dependent distinct from the wife.

<sup>5</sup> *Eighteenth Annual Report U. S. Commissioner of Labor*, p. 469.

It may perhaps be objected that the exclusion of families with more than five children and those where boarders and lodgers were taken resulted in a distortion of the real family composition of the 25,000 families as a whole. This objection seems at first to be corroborated by the fact that the average size of the 11,156 families was 3.96 persons, as compared with 4.88 persons for all the families as a whole. Upon analysis, however, it was found that the average number of children under fourteen for the normal families was 1.90, and of children under sixteen in all the families

TABLE XIII  
FAMILY COMPOSITION OF 11,156 "NORMAL"  
FAMILIES IN 1901

Number of Children under 14	Number of Families	Percentage of Families
0.....	2,124	19.0
1.....	2,579	23.1
2.....	2,700	24.2
3.....	1,973	17.7
4.....	1,248	11.2
5.....	532	4.8
Total.....	11,156	100.0

only 1.98,<sup>1</sup> or, when allowance is made for age differences, a slightly larger family than that for the entire groups. The difference in the gross size of the two sets of families was therefore caused by the presence in the larger group of children over sixteen and of adults, and not of more children of the dependent ages. The figures for the 11,156 families may consequently be regarded as affording an approximately accurate picture of the degree to which the families as a whole had children of less than fourteen years dependent upon them for support.

The second important investigation was that made by the Illinois Health Insurance Commission in 1918, under the direction of Professor H. A. Millis, of the University of Chicago. The fami-

<sup>1</sup> Computed from data on the following pages of the *Eighteenth Annual Report of the Commissioner of Labor*: 242-43, 256-57, 568.

lies in thirty carefully selected blocks in working-class neighborhoods in Chicago were studied, and the relative number of members in each secured. Single men living as boarders or lodgers were not included. It should be noted that the study deals with the "members" of a family and includes, in addition to dependents, all those who are gainfully employed, whether adults or juveniles.<sup>2</sup> (See Table XIV.)

TABLE XIV  
COMPOSITION OF 3,048 CHICAGO WORKING-CLASS  
FAMILIES, 1918

Number of Members of Family	Number of Families	Percentage of Families
1.....	106	3.3
2.....	559	18.3
3.....	718	23.6
4.....	609	20.0
5.....	400	13.2
6.....	293	9.6
7.....	178	5.8
8.....	97	3.2
9.....	55	1.8
10.....	15	.5
11.....	12	.4
12 or more....	6	.2
Total.....	3,048	100.0

Even upon the basis of "members" instead of children, 65.2 per cent of the families were found to consist of fewer than five persons, while only 13.1 per cent were precisely of that size. Nearly 22 per cent of the families, in turn, included more than five members.

The final and largest investigation was that conducted by Miss Marie Obenauer for the United States Coal Commission. Miss Obenauer secured data in all for 128,853 miners, of whom more than half were foreign born; 83,877, or 65.1 per cent of the total, maintained homes, leaving 34.9 per cent that did not do so. Of those who were heads of households, the percentages shown in

<sup>2</sup> *Report of the Health Insurance Commission of the State of Illinois*. p. 101.

Table XV had the given number of children under sixteen years living at home with them.<sup>\*</sup> Here 44.3 per cent of all the families had fewer than three children, while only 15.9 per cent had the exact quota; 39.2 per cent, on the other hand, had more than three children.

TABLE XV  
COMPOSITION OF MINE WORKERS' HOUSEHOLDS  
IN THE UNITED STATES

Number of Children under 16 Years	Percentage of Mine Workers Maintaining Homes with Specified Number of Children
0.....	13.1
1.....	14.4
2.....	16.8
3.....	15.9
4.....	13.4
5.....	10.6
6.....	7.4
7.....	4.3
8 or more.....	4.1

Miss Obenauer made an especially interesting comparison of the composition of the families of native-born and foreign-born miners: 14.6 per cent of the native born had three children under the age of sixteen, as compared with 16.6 per cent of the foreign born. The differences occurred in the proportions which had fewer and more than three children respectively; 58.2 per cent of all the native-born families had fewer than three children, as compared with only 36.2 per cent of the foreign born, while no less than 47.6 per cent of the foreign born had more than three children, as compared with 27.1 per cent of the native born. The Americanization of the children of these miners will undoubtedly cause the birth-rate to fall.

As a matter of fact, therefore, taking the country as a whole, the adult male workers on the average do not have four additional

<sup>\*</sup> Report of the United States Coal Commission as given in *Weekly News Letter of the Illinois State Federation of Labor*, July 21, 1923, p. 3. I am indebted to Miss Obenauer and Dr. Helen M. Wright for clarifying many of the details of the study.

persons dependent upon them. Since there were approximately 28,200,000 such males gainfully employed in 1920, to give each enough to maintain a family of five would have meant providing for 141,000,000 people, whereas there were slightly less than 106,000,000 in the United States at that time. Payment would therefore have been made for 35,000,000 fictitious wives and children, even were the adult males to be considered as the sole supporters of the people of the country. But there were no less than 6,200,000 adult women and 6,300,000 juveniles of from sixteen to twenty years who were also employed. Even granting that these just earned enough to maintain themselves, we should then have only between 93,000,000 and 94,000,000 people to be supported by the 28,200,000 adult males who were gainfully employed. To pay each of these adult males enough to maintain a family of five, while continuing to pay women and children as before, would amount to paying for approximately 48,000,000 people that did not exist. To adopt the principle of the feminists and pay the gainfully employed women the same amounts as the men would mean providing maintenance for no less than 72,000,000 fictitious persons!

There were, indeed, in 1920, 33,600,000 children under fifteen years of age and 32,200,000 males of twenty years and over.<sup>1</sup> This amounted to only 1.04 children for every adult male. Even if the full burden of support of these children fell upon the 28,200,000 occupied males, there would have been only 1.19 children for every such male worker.

In the same year there were 4,900,000 persons who were sixty-five years of age or over, or only .17 such persons for every gainfully employed adult male who was less than sixty-five years old.<sup>2</sup> There were, moreover, seventy-two wives for every hundred workers, which, with the other two groups, would amount to 2.08 persons dependent, on the average, upon the male adult worker. To this should be added the burden of supporting children over fifteen

<sup>1</sup> Fourteenth Census, III, 16.

<sup>2</sup> Abstract of the Fourteenth Census, p. 138.

and dependent adults of less than sixty-five years. At the most, however, the total could not amount to more than 2.35 persons, and not 4.0.

#### IV. WHY HAS THE FAMILY OF FIVE BEEN ACCEPTED AS THE STANDARD?

The preceding analysis has seemed to destroy the validity of the "standard" family of five as the most representative type. In virtually every investigation that has been made, such a family has been disclosed as characteristic, at any one time, of only a relatively small percentage of the total cases.

How, then, may these results be reconciled with the fact that a large number of investigations, such as that of Chapin in 1908-9 in New York City and the country-wide study of the Bureau of Labor Statistics in 1917-18, have shown that working-class families do in fact average not far from five members? There are several reasons for this apparent divergence. The first is that virtually all these studies have excluded single men from consideration and that these form between one-quarter and three-tenths of all the adult male workers. The second is that these studies have commonly counted all members of the family, whether actually dependent or not, and have included sons and daughters who were really self-supporting. These figures on the size of families have in turn been illogically taken over as a basis for computing dependency. A third reason is that in some of the investigations, notably those of Chapin and the United States Bureau of Labor Statistics, the families have been expressly selected in order that the results might conform approximately to the standard type.<sup>1</sup>

A final potent source of confusion has been the acceptance of the arithmetic average itself as the measurement of a family's

<sup>1</sup> This was not done to deceive the public. These investigations merely accepted the family of five as the standard and centered their efforts on finding out how such families spent their money and how much they needed to live. Some, however, have forgotten the method of sampling employed and have cited these studies as proof that five constitutes the representative American workingman's family.

composition or need. Families now average nearer four members than five, but only a small proportion of them may actually have such a number of members as compared with the majority that have either more or less. The delusive character of the arithmetic average has long been perceived for most branches of social phenomena, but its adequacy in matters of family composition has not been challenged as it should have been.<sup>1</sup>

It should not be forgotten, however, that, while only a small percentage of the families (and consequently a still smaller proportion of the adult workmen) have more than three dependent children at any one time, a much larger percentage of the total number of children is included in these families. Thus, in the fourteen English and Welsh counties only 10 per cent of the married or widowed workmen had more than three children. The children in these families, however, comprised 38 per cent of all the children.<sup>2</sup> It will be remembered that the 1901 investigation by the United States Bureau of Labor showed that families with four and five children formed only 16 per cent of the total number, but 37 per cent of all the children were found in these very families.

To grant a wage to all sufficient to maintain a family of five would, therefore, entail much more suffering than would be apparent at first sight. The important feature to be considered in such a situation would not so much be that 10 to 15 per cent of the families would have a deficiency in their budgets as that from 35 to 40 per cent of the children would lack the essential things of life.

<sup>1</sup> Thus Miss Margaret L. Stecker's excellent article, "Family Budgets and Wages," *American Economic Review*, XI, 447-65, is not as strong an assault upon the family-of-five concept as the norm for measuring wages as it would have been had she emphasized the inadequacy of any average as furnishing a standard for all.

<sup>2</sup> The distribution of the children in these counties among the various-sized families was as follows: 17.1 per cent were in families where they were the only child under sixteen years; 23.9 per cent were in families with two such children; 20.9 per cent were in the so-called "standard" family of three children; 16.7 per cent in families with four children of these ages; 11.1 per cent in families of five children, and 10.3 per cent in still larger families.

## CHAPTER IV

### A PROPOSAL

It has been shown that it would probably be impossible for American manufacturing industries to pay all adult male workers enough to maintain a family of five, and that only a relatively small percentage of the workers actually do have such families to support. To pay such a wage in the English-speaking countries would be more than adequate for between 70 and 80 per cent of the workers, while it would be less than was needed for from 10 to 15 per cent. To grant such an increase in the United States would mean paying for no less than 48,000,000 fictitious dependents, while combined with equal pay for women it would mean paying for no less than 72,000,000 non-existent people. Without meeting the basic needs of those with large families, it would pour into the pockets of the unmarried and those married persons who have few or no children a great excess over their wants.

In the light of these facts, it seems difficult to defend the family of five as the standard by which the wages of all adult males should be fixed. Advocates of the living-wage doctrine, a principle which the author believes to be ethically and economically sound, do their cause a great discredit by tying it up with so fallacious a measuring stick. *Should not the real principle be that, as needs are not uniform, but variable, so the minimum wage should not be uniform, but should vary according to the needs of the worker and his family?* In other words, should not the single man receive enough to maintain him, plus a comfortable margin to permit his saving for marriage, but not enough to support a non-existent family of five? Then, as he married and as children came, he would receive additional allowances to meet the extra cost which they imposed. In this way, those with large families would be



protected in a manner that would be impossible under any uniform minimum, and those with few or no dependents would not be given an unneeded surplus.

But it will be objected that this will cause the employers to hire single men instead of those with dependents, since by so doing they will not saddle themselves with as heavy a burden of expense. They will, moreover, first lay off those with dependents. Those with the greatest number to support will therefore be the last to be hired and the first to be laid off. The method proposed, instead of benefiting these workers, will actually place them in a worse position than before, for it is manifestly better to be employed full time at insufficient wages than to be paid an adequate wage rate but not to be employed at all.

Such a reply seems, at first sight, crushing, but the apparent dilemma is not a real one. The danger of discriminating against the married men with dependents can be avoided by having a number of employers form a fund to which they will make contributions and which will bear the expense of the extra allowances. In this way the allowances paid to any family would be a burden upon the group of firms belonging to the fund and would not rest exclusively upon the firm that employed the head of the family. The contributions of an employer to this fund would then be computed upon a basis which would be entirely independent of the relative number who were dependent upon his employees for support. Thus, in a fund where the amount paid out in allowances was two million dollars annually and where ten thousand workmen were employed, the assessment might be on a per capita basis, and in this event an employer would pay a contribution of two hundred dollars for every person in his employ. Since an equal payment would be made for the single man with no dependents as for the man with eight or ten children, there would be no incentive for an individual firm to give preference to the unmarried.

Such a proposal raises a large number of perplexing problems

which deserve close analysis and scrutiny. Fortunately for our purposes, important applications of this principle have been made in Australia and in virtually every country of continental Europe. The second part of this book will describe in some detail the various experiments that have been made in this direction, while Part III will attempt to work out the principles which should govern its application and to evaluate the proposal as a whole.



## PART II

# THE FAMILY ALLOWANCE SYSTEM ABROAD



## INTRODUCTION

The system of wage payment that has been suggested is now spreading rapidly over continental Europe. The form in which it is administered varies widely from place to place, but its common feature consists in granting supplementary allowances, over and above the wages paid to single men, to those workers who have dependent children.

Two forces have largely led to this movement. The first is the insistent and increasingly recognized demand of labor for a living wage, while the second is the relative poverty in which Europe has found itself as a result of the war.

The combination of these two factors led inevitably to some such method of payment as the family allowance system. For if it is probably impossible in such a wealthy country as our own to guarantee all workers enough for a family of five, for the war-strained countries of Europe it is out of the question. Moreover, if wages are to conform to need, the minimum cannot be uniform, but must be variable. The war-time system of food-rationing has made it easier for the popular mind in Europe to recognize the justice of such a measure. No one would have proposed as a basis for rationing that the unmarried worker should have as much sugar or flour as his fellow-employee who was the father of a family. The absurdity of giving uniform allowances of food to men with unequal numbers of mouths to feed was so patent that it led naturally to the inquiry whether it was any less absurd to give these same men equal amounts of money to spend for food.

At the same time, the universally adopted system of separation allowances for the families of men in military service, which were graduated according to the number of dependents, suggested to the employers of civilian labor that a similar method might

help to solve their dilemma. The needs of the fathers of families might thus be met without increasing the wages of those who did not need the extra grant. With a rising price level, this has frequently meant in practice that the married worker has been protected by means of deflating the real wages of the unmarried—wages that were formerly considerably in excess of physical needs.

The result has been that practically every government in Europe has adopted some such system of allowances for its own civilian employees, and that thousands of private establishments, giving employment to not far from six million workers, have followed suit. The close organization of the employers, together with the example afforded by the pools and Kartells of Europe, naturally furnished both the opportunity and the model for the creation of equalization funds whereby the temptation to discriminate against those with dependents might be avoided.

## CHAPTER V

### FAMILY ALLOWANCES AND CLEARING FUNDS IN FRANCE

#### I. FAMILY ALLOWANCES TO GOVERNMENTAL EMPLOYEES, AND BY FIRMS NOT AFFILIATED WITH CLEARING FUNDS

Family allowances are not an entirely new development, for the French government made such grants as long ago as 1862 to sailors with dependent children. From 1910 on, the same principle was extended to successive groups of civil servants.

The rapid war-time increase in the cost of living bore with especial severity upon governmental employees, whose salaries, even with the cost-of-living bonuses that were granted, fell far behind the rise in living-costs. In 1917 Parliament passed, therefore, an act providing for government employees family allowances of 100 francs annually for every dependent child who was under sixteen years of age. An appropriation of approximately 46,000,000 francs was made to meet this expense. In August of the same year, the allowances, beginning with the third child, were increased to 200 francs, while in March, 1918, they were fixed at 150 francs for each of the first two children and 300 francs for all that followed. Finally, in November, 1918, an additional temporary allowance of 180 francs a year was granted for each child. This was made permanent the next year, making the final amounts 330 francs annually for each of the first two, and 480 francs for all subsequent children.<sup>1</sup>

This scale was appreciably increased for officials in January, 1924, to 495 francs for the first two children and 840 francs for

<sup>1</sup> For a description of the foregoing see "Les allocations pour charges de famille," *Bulletin du Ministère du Travail*, XXVII (March, April, May, 1920), 100-27.



the third and subsequent children.<sup>1</sup> Thus not only has the amount of the stipend steadily risen but also the differential in favor of families with more than two dependent children has widened.

The system has been adopted widely by other governmental bodies. An inquiry in 1920 by the Ministry of Labor showed that no less than 80 departments were paying such allowances, only 13 of which had been making such payments before the passage of the Act of 1917. Returns from 72 departments indicated that approximately 13,000 parents were receiving such allowances, and that the total payments amounted to about 7,500,000 francs.<sup>2</sup>

The same inquiry disclosed that, without counting Paris, no less than 206 of the 310 French cities with over 10,000 inhabitants were also paying allowances to their employees. By far the greater number of these municipalities had adopted the system after the 1917 federal law. Nineteen of the cities, however, were paying such allowances as early as 1914.<sup>3</sup> The practice is most firmly intrenched in the larger cities, where the amount of the allowances is also larger, averaging from 360 to 400 francs a year.

While official totals are lacking, it seems probable that the 1,000,000 persons or more who are in government service receive annually over 400,000,000 francs in the form of allowances.

The seven great railway systems of France have also adopted the device of family allowances. Those of the Compagnie du Nord and the Compagnie de Paris à Orléans date indeed from 1890, while that of the Paris, Lyons et Méditerranée was installed in 1892. While all the roads had established such systems by 1916, they differed greatly as regards both the amounts paid and the conditions of eligibility. In 1916 the state got the companies to agree upon a uniform system for all the lines, which also raised the general level of the allowances. All employees who were heads of families and whose yearly salary amounted to less than 6,000

<sup>1</sup> *Monthly Notes*, The Family Endowment Council (London), April, 1924, p. 2.

<sup>2</sup> *Ibid.* (August, September, October, 1920), pp. 367-72.

<sup>3</sup> *Ibid.*

francs a year were to be paid allowances for every dependent child under sixteen years, as shown in Table XVI.

TABLE XVI

Child	Annual Amount (in Francs)
First.....	50
Second and third.....	100 (each)
Each of the following.....	200

The allowance was to be paid to the head of the family, and where it was less than under the old systems, the former payment was maintained. In March, 1918, when the cost-of-living bonuses were increased, the amount of the allowances was raised to 150 francs annually for the first and second child and 300 francs for each of the subsequent children. In 1919 the Ministry of Labor, apparently to head off possible labor disputes on the railways and to create uniformity, granted to all permanent employees the same bonus of 180 francs per dependent child which had previously been given to state employees, making the scale for the railroad workers the same as that for all governmental employees.<sup>1</sup> This added expense was assumed by the government itself. Tables XVII and XVIII show the numbers covered by the measure and the amounts expended in 1919.

In this year, therefore, 119,743,000 francs were paid out in allowances, or an average of 366 francs for every dependent child. The fathers of families received on an average approximately 669 francs, which amounted in turn to 287 francs for every worker employed.

Many of the street railways and other public utilities have also adopted the system of the railroad companies and that formerly prevailing in the government service, namely, an annual grant of 330 francs for each of the first two children and 480 francs for each child beyond the second.

Family allowances are also paid in one form or another by

<sup>1</sup> The maximum salary scale was by this time appreciably higher than before.

virtually all of the French coal mines,<sup>\*</sup> which employ in all approximately 230,000 workmen. Even before the war, some mines

TABLE XVII  
NUMBER OF WORKMEN EMPLOYED, EMPLOYEES RECEIVING  
BENEFIT, AND CHILDREN FOR WHOM ALLOTMENT  
WAS PAID BY FRENCH RAILWAYS IN 1919

Railway	Total Number of Employees	Number of Employees Benefited	Number of Children for Whom Allowance Was Paid
P. L. M.....	119,000	48,000	83,000
Nord.....	46,800	25,630	50,976
Est.....	61,500	30,000	54,400
Paris-Orléans.....	62,000	28,000	46,100
État.....	86,400	34,000	68,300
Midi.....	37,000	12,310	21,600
Ceinture.....	4,000	1,430	2,500
Total.....	416,700	179,370	326,876

TABLE XVIII  
AMOUNTS PAID OUT IN ALLOWANCES AND EXPENSE  
BORNE BY THE RAILWAYS AND THE  
STATE, 1919

Railway	Sum Borne by Company (in 1,000 Francs)	Sum Borne by the State (in 1,000 Francs)	Total (in 1,000 Francs)
P.L.M.....	11,472	15,000	26,472
Nord.....	10,909	11,050	21,959
Est.....	9,200	9,800	19,000
Paris-Orléans.....	7,878	8,300	16,178
État.....	11,700	12,300	24,000
Midi.....	3,372	3,900	7,272
Ceinture.....	385	4,477	4,862
Total.....	54,916	64,827	119,743

had voluntarily begun paying small extra sums to fathers of families, which were generally accompanied by additional allowances for other purposes. In many cases, part or all of these allow-

<sup>\*</sup> See the statement of M. Buertell, general secretary of the Federation of Mines. in *Le peuple*, January 21, 1923.

ances were to be forfeited in case the workers were unjustifiably absent from work. Arbitration awards and joint agreements between employees and employers during and after the war also created a number of such allowances, and by now, the system is almost universal. In the North and in Pas-de-Calais, a 1920 award fixed the allowance at one franc for each dependent child for each day worked. Generally, however, the allowances were lower than this. In certain cases, the payment of the allowances has been made conditional upon the miner's working a given number of days per month (twenty in Savoie), excluding those lost because of illness. The allowances are frequently made for dependent wives as well as for children.

In 1924, the total amount paid out in allowances by the mining industry was approximately 80,000,000 francs.<sup>1</sup> This amounted to between five and six per cent of the wages paid.

A large number of manufacturing and commercial establishments, estimated in 1920 at 500,<sup>2</sup> also pay out allowances directly to those of their employees who have children to support. Among the most important of these concerns are the great Schneider munition works and the Thomson-Houston Company. Most of the large banks in France also pay allowances, those paid by the Bank of France being especially liberal.

The director of the Committee of Family Allowances, M. Bonvoisin, estimated in the summer of 1922, after an investigation, that the yearly amounts paid out in family allowances by all those industries which did not participate in the clearing funds was at the least 180,000,000 francs, and that the number of workmen employed by these companies was approximately 500,000.<sup>3</sup> It seems clear that by 1924, the total number of such workmen who were covered by the allowances increased to at least

<sup>1</sup> *Monthly Notes*. The Family Endowment Council, December, 1924, p. 1.

<sup>2</sup> *Bulletin du Ministère du Travail*, XXIV (November-December, 1920), 493.

<sup>3</sup> *Compte-rendu, II Congrès National des Caisses de Compensation*, 1922, pp.

700,000 and that the amount paid out by these firms was probably somewhat over 200,000,000 francs.

## II. THE GROWTH OF CLEARING FUNDS

### *(Caisses de compensation)*

The French clearing funds (*caisses de compensation*) had their real start in Grenoble.<sup>1</sup> In 1916 M. Émile Romanet, the manager of the Joya Works, after investigating the poverty-stricken home conditions of some of the older workmen with dependent families, secured the consent of M. Joya to the granting of a small allowance of 6 francs a month for each dependent child under thirteen years. M. Romanet then presented the problem before the Metal Trades Employers' Association of the region, and in the following month they unanimously approved the payment of the family allowances. A large number of other firms began making such allowances, those of two establishments in particular being appreciably higher than those of the Joya works. In 1918 a struggle over wages broke out, which was settled by the decision of an arbitration commission making the payment of family allowances obligatory upon all employers in the industry.

The payment of the allowances produced a tendency on the part of some firms to cut down their expenses by discriminating against workmen with families. The arbitration commission declared that it was necessary to create an employers' fund which would equalize costs and prevent single or childless workers from being given preference in employment. The employers unanimously approved the principle, and in May, 1918, such a fund was formed, which made the family allowances a charge upon the local metallurgical industry instead of upon each individual employer.

<sup>1</sup> For the history of the Grenoble Clearing Fund, see E. Romanet, *Les allocations familiales*; Vialis, "Des allocations à Grenoble," in *Compte rendu, II Congrès National des Caisses de Compensation*, 1922, pp. 8-15; René Hubert, *Salaires, allocations familiales et caisses de compensation*, pp. 6-8; Pierre Richemond, "Allocations pour charges de famille et caisses de compensation," *Revue d'économie politique*, XXXIV (1920), 596-606; Paul Bureau, *La caisse de compensation du Syndicat des Metallurgistes Dauphinais*, 8 pp.

The employers contributed to this central fund in proportion to the number of their employees, the contribution per worker being the same, irrespective of the number of children dependent upon any given worker. In this way, an employer would have no incentive to hire single workers in preference to heads of families.<sup>1</sup>

In 1919 four additional funds were created, namely, those at Saint-Dizier, Rouen, Épernay, and Nantes. M. Romanet was untiring in his efforts to popularize the new system, and it was fully discussed at the Social Week at Metz, where influential Catholics gathered, and at the Congress on the Birth-Rate at Nancy, which indorsed the plan enthusiastically.

As a result of all this propaganda, large groups of employers became so interested in the question that the movement spread with great rapidity in 1920, when no less than fifty-two such funds were established. The two most important of these were those organized by the manufacturers of Paris and by the textile firms of Roubaix-Turcoing, the great textile center of France. The former included approximately 1,000 establishments, employing not far from 200,000 workers,<sup>2</sup> while the latter, beginning with 120 firms, soon came to include all the 312 firms that were members of the employers' association,<sup>3</sup> and covered some 70,000 employees.

A convention of representatives of thirty of the leading funds was held at Roubaix in December, 1920, and formed a loose federation to study the various problems presented by the movement. This body, which has since taken the name of Comité des Allocations Familiales, has centralized information and has carried on

<sup>1</sup> While this Grenoble Fund was not chronologically the first organization of the kind, since a small fund had been established at Lorient a few months previously, it did act as the generating center for the growth of the movement.

<sup>2</sup> See Pierre Richemond, *La Caisse de Compensation de la Région Parisienne*, pp. 10-11. Also *Bulletin du Ministère du Travail* (March, April, May, 1920), p. 127.

<sup>3</sup> See Achille Glorieux, "Les grèves récentes de Roubaix-Turcoing," *La réforme sociale*, LXXXII (May, 1922), 264-96. Also Ley, "Le sursalaire familial, et les caisses de compensation," *La réforme sociale*, LXXXII (July-August, 1922), especially, 434-435.

an active campaign for the establishment of new funds. It has held four annual conferences thus far, which have been of great assistance to the movement, namely, Paris (1921), Grenoble (1922), Nantes (1923), and Mulhouse (1924).

The growth continued during the first part of 1921, and by July of that year 72 funds were reported as functioning;<sup>1</sup> by May, 1922, 20 more had been formed, making a total of 92. In November, 1922, the formation of the hundredth fund was celebrated, and by June, 1923, the number had reached 120. Approximately 7,600 separate establishments were by then affiliated with these funds. By May, 1924, no less than 151 funds were in operation, covering over 9,300 establishments.<sup>2</sup> By mid-summer, seven more funds had been established, and the total number is by now well over 160. The funds are distributed widely over the country and are not confined to any one section. Virtually all the large-scale enterprises now apply the system, and it is spreading rapidly among the smaller establishments as well.

Table XIX shows the approximate number of workmen covered by the clearing funds at various times and the estimated annual rate of expenditure. It will be seen that the greatest growth occurred during 1920, and that the later funds have been on the average appreciably smaller.

Adding the number included in those private industries and in government service where no clearing funds exist, it seems probable that nearly 3,000,000 workers, or over one-third of all the wage-earners and salaried workers, outside of agriculture and domestic service, in France, are working under some form of the family-allowance system, and that over 750,000,000 francs are being paid out annually in family allowances.<sup>3</sup>

<sup>1</sup> *Compte rendu, I Congrès National des Caisses de Compensation*, 1921, p. 5, gives 71 as the number, but the report for the following year, *Compte rendu, II Congrès*, etc., 1922, p. 67, states that 72 were in existence.

<sup>2</sup> *La journée industrielle*, May 27, 1924.

<sup>3</sup> The Comité des Allocations Familiales estimates the total at 763,000,000. M. Eugène Mathon, president of the Comité, puts his estimate as high as 1,000,000,000.

The three largest funds are the regional fund of Paris and those of Roubaix-Turcoing and Mulhouse. The first had, in September, 1922, 195 members, whose employees numbered 163,000, and was paying out annually in allowances 13,500,000 francs. The fund at Roubaix-Turcoing includes between 300 and 400 textile firms, employing 72,000 workmen, and paying out 15,800,000 francs in allowances. The Mulhouse fund, which includes employers in the district of the Upper Rhine, in September, 1922, had 135 mem-

TABLE XIX  
GROWTH OF CLEARING FUNDS 1918-24 IN TERMS OF  
WORKMEN COVERED AND ANNUAL  
AMOUNTS EXPENDED

Date	Approximate Number of Workmen Em- ployed in Estab- lishments Be- longing to Clear- ing Funds (in Thousands)	Annual Rate of Expenditure in Family Allow- ances at Various Dates (in 1000 Francs)
May, 1918.....	5	713
June, 1919.....	37	3,598
February, 1920.....	57	4,873
July, 1920.....	398	51,748
January, 1921.....	513	65,832
July, 1921.....	600	75,000
May, 1922.....	700	80,000
June, 1923.....	880	92,000
May, 1924.....	1,200	128,000

bers, who employed 53,000 workmen, and was disbursing allowances at the rate of 6,900,000 francs annually. These three organizations, therefore, included about 33 per cent of all the employees covered by the funds at that time, and their allowances comprised 39 per cent of the total. Four other large funds are those of Lyons, with 450 member establishments and over 50,000 workmen; the building trades of Paris, with over 4,000 members, who employ 50,000 or more workmen; Lille, where the 100 members have some 27,000 employees; and Rouen, with not far from 20,000 employ-



ees.<sup>1</sup> These seven funds, therefore, included one-half of all the workmen covered by the hundred and twenty funds then existing and disbursed approximately the same percentage of the allowances.<sup>2</sup>

The funds have been almost exclusively recruited from the manufacturing industries, especially those of textiles and metals. There are, however, some merchants and some building-trades employers in the funds, and a few funds are composed exclusively of such employers, while a fund for the employees of stockbrokers has recently been formed in Paris. Agriculture is virtually untouched by either the family-allowance or the clearing-fund system. Fifteen small funds have been started, but each contains relatively few members, and their growth has been discouragingly slow.<sup>3</sup> Aside from the natural reluctance of the farmers to adopt any new method, the chief difficulty seems to be caused by the predominant division of the soil into small peasant holdings. Since hired workmen are on the whole relatively few, save in certain regions of the South, a fund designed exclusively for their children could not command many members. If such funds are to attain any strength, they must include the small proprietors themselves and make the allowances in behalf of their children. The basic difficulty in establishing such funds has been clearly pointed out by M. Noel Pinat:

If he (the peasant) is childless, he will not join. If he has limited his family or intends to limit it, he will not join either. The only ones who will

<sup>1</sup> The 1922 figures are those given by Victor Guesdon, *Le mouvement de création et d'extension des caisses d'allocations familiales*, pp. 78-81.

<sup>2</sup> The allowances paid out by the funds of Lille, Lyons, and Rouen, which are composed of textile firms, are less per employed worker than those of the four largest funds.

<sup>3</sup> For a description of these agricultural funds, see Henry Girard, "Les allocations familiales en agriculture," *La main-d'œuvre agricole*, July, 1922, pp. 1-4; *International Review of Agricultural Economics*, January-February, 1921, pp. 56-57. See Noel Pinat, "Organization d'une caisse destinée au paiement des allocations familiales dans l'agriculture," *Compte rendu, II Congrès National des Caisses de Compensation*, for information about the Bordeaux fund.

join will be the young sturdy families who have decided to have an unlimited number of children. They will quickly become a charge, for if God blesses their union, they will receive more than they can pay.<sup>1</sup>

### III. ALLOWANCES AND BENEFITS GRANTED UNDER THE SYSTEM OF CLEARING FUNDS

Four types of allowance are paid to a greater or lesser degree under the funds: (1) monthly allowances for dependent children, (2) lump-sum maternity benefits, (3) nursing benefits to the mother after childbirth, (4) allowances for aged parents.

By far the most important of the allowances is that for dependent children, which in approximately five-sixths of the cases begins with the first child.<sup>2</sup> In no instance is there a limit upon the number of children for whom the allowances are to be paid, save that necessarily imposed by the fixation of an upper age limit. In the majority of the funds this is fixed at thirteen years, while nearly all of the remaining funds fix fourteen years as the maximum.

The major portion of the allowances are progressive in amount, that is, the sums granted to the latter children are greater than those given to the first child for whom the allowance is paid. The increase in the allowance is most marked in the case of either the second or third child, and almost uniformly reaches a maximum with the fourth.<sup>3</sup> While a large majority of the funds follow the principle of progression, in from 10 to 15 per cent of the cases, including the large Mulhouse fund, the amounts allowed are uniform for every child.

An analysis made by Dr. Peret, of Lyons, of the allowances granted by 75 representative funds in 1922 showed that the average sums then allowed for the successive children were as given in Table XX.

<sup>1</sup> *Op. cit.*, pp. 51-52.

<sup>2</sup> In 1923, 18 of the 120 funds made no payment for the first child. The most prominent of these were the two funds in Lille, and those in Amiens, Orléans, Rennes, Rodez, Thizy, and the Île-de-France.

<sup>3</sup> In a few funds, such as those of Angoulême and La Ferté-Macé, the amount per child continues to increase by 5 or 10 francs for each child beyond the fourth.

During the last two years, the amounts of the allowances have been increased appreciably, especially for all children beyond the first. Thus in 1924 the average for the respective children was as shown in Table XXI.

TABLE XX\*  
AVERAGE MONTHLY ALLOWANCES PAID  
BY FRENCH FUNDS IN 1922

Child	Francs	Centimes
First.....	17	20
Second.....	22	95
Third.....	27	35
Fourth.....	29	30
Fifth and following.....	30	38

\* Peret, "Répartition des allocations suivant les charges familiales," *Compte rendu, III Congrès National des Allocations Familiales*, p. 82.

TABLE XXI\*  
AVERAGE MONTHLY ALLOWANCES PAID  
BY FRENCH FUNDS IN 1924

Child	Francs
First.....	19
Second.....	27
Third.....	35
Fourth.....	43

\**La journée industrielle*, May 27, 1924.

The principal reasons for this increase in the amounts granted for successive children are as follows: (1) It is believed that the father's wage is generally sufficient to support one child, or possibly two, and that, therefore, these children do not constitute as heavy a burden upon him as do the additional ones. (2) The mother of the family is more able to work for wages with only one child than if she has three or more; an extra compensation is therefore needed to offset the loss of her earnings. (3) Two children are regarded as merely replacing the parents, and as constituting no net growth in population. It is only the third and fourth children who constitute the net gain in the population, and an

extra allowance is felt to be justified for them if it will cause them to be born, or to survive once they are born.<sup>1</sup>

In addition to the allowances for the maintenance of the children, about two-thirds of the funds grant maternity benefits<sup>2</sup> ranging between 50 and 300 francs, with an average of 170 francs for the first and 140 francs for the subsequent births. Approximately one-fifth of the funds give a further nursing allowance for a few months to the mothers on condition that they nurse their children.<sup>3</sup> Some of these latter allowances are strikingly liberal; the fund of Thizy-le-Cours, for example, pays 125 francs a month for three months if the mother continues to nurse her child. The average allowance seems to run for ten months. Finally, approximately a dozen funds grant allowances for aged and dependent parents.<sup>4</sup>

A very significant extension of the work has developed within the last three years, namely, the creation of social-service departments operating under the funds and giving service in the workmen's homes. These seem to have developed logically from a number of causes: (1) It soon became evident that some visiting was necessary in the larger centers to check up the accuracy of the claims of dependency filed by the workers. (2) The fact that the allowances were granted on behalf of the children inevitably raised the question whether the parents could spend the money for their own purposes or whether they were under obligation to spend it properly upon their children. The answer of the funds to this has always been clear: The allowances are the property

<sup>1</sup> Against all this might be set the fact that the added children might not be of as much direct expense as the first, because of the possibility of cutting down clothing, sharing housing accommodations, etc.

<sup>2</sup> This was true of 50 of the 72 funds in existence October 1, 1921.

<sup>3</sup> Thirteen funds provided for such payments in 1921.

<sup>4</sup> The funds of Cholet, Dijon, Le Havre (mechanicians), Limoges (metal and porcelain), Lorient, Lyons, Nantes, Vienne, Vierson, Marseilles admit parents as beneficiaries at the age of sixty-five.

of the child and should be expended for him. Thus, the Strasbourg and the Lower Rhine fund declares:

It [the allowance] may be withdrawn from any one who puts it to bad uses, or if those assisted are naturally careless. The clearing fund may take any necessary measures to ensure the proper expenditure of these amounts when it is shown that they are being employed for a purpose other than that for which they are intended.<sup>1</sup>

All such declarations would, however, be but pious aspirations, were not machinery devised to determine whether the allowances were indeed being spent for the children. (3) The clearing funds presented an opportunity to help restore personal relations with the workers and to enable someone to become acquainted with their difficulties in order to assist them. In a large city, where the workers live widely scattered from their place of employment, home visiting, even if welcomed by the workers, is virtually impossible for individual employers to put into effect. If a large number of employers co-operate, however, the workers can be grouped by districts and thus more easily visited.

Among the funds which have added these features of service are those of Paris, Lyons, Nantes, Nancy, Troyes, Mulhouse, Dieppe, Charleville, Dijon, Lille, and Orléans. In Nancy, a special child-care program is carried out, with visits by a doctor and a nurse to such families as desire them. A certain number of beds in a local hospital are maintained by the fund, where sick or malnourished children are sent without charge. In Lyons, the two existing funds have combined to create a health service, which has set up infant-welfare centers in the various sections of the city. As a result of the active work carried on through these agencies, the infant-mortality rate among the children of the employees was reduced from 123 per 1,000 to 44, or a reduction of virtually two-thirds of the former number of deaths.<sup>2</sup> The fund

<sup>1</sup> *Règlement, allocations familiales*, published by the Caisse Patronale de Compensation, Bas-Rhin, p. 10.

<sup>2</sup> See papers by A. Bernard, "Le développement des caisses d'allocations familiales dans la région lyonnaise," *Compte rendu, II Congrès National des Caisses de Compensation*, pp. 39-42; and Peret, "Le service hygiène de l'enfance des caisses de la région lyonnaise," *ibid.*, pp. 75-89.

at Dieppe claims to have cut infant mortality to one-fifth its former figure by the encouragement it has given breast feeding.

For all the funds, taken as a whole, the allowances amounted in 1922 to 2 per cent of the pay-roll.<sup>1</sup> At present the average is probably nearer 3 per cent. At Roubaix-Turcoing, however, the allowances in 1921 were 7 per cent of the wages then paid, and 5.5 per cent of those paid in 1922.<sup>2</sup> Were this fund excluded, the average for the remaining funds would have amounted to approximately 1.7 per cent.<sup>3</sup> In the Parisian fund, where the sums paid are of about average liberality, the allowances were only about 1.3 per cent of the pay-roll.<sup>4</sup>

The amounts granted as allowances are not proportional to the extra cost which the children entail upon their parents. Thus, if we estimate the average wage of the French workman in 1922 at 6,000 francs, which seems to be the most accurate approximation that one can make, the average addition to the workman's wage for each of his children by the 1922 scale of allowance is approximately as shown in Table XXII.<sup>5</sup>

TABLE XXII	
Child	Percentage of Wage
First.....	3
Second.....	4
Third.....	5
Fourth.....	6

A father with two dependent children would, therefore, have his earnings supplemented on the average by 7 per cent; if he had

<sup>1</sup> Letter from C. Bonvoison, manager of the Comité des Allocations Familiales, to the writer, March 24, 1923.

<sup>2</sup> See data published in *La réforme sociale*, LXXXIII (February, 1923), 127-29.

<sup>3</sup> The assessments in the Mulhouse and Strasbourg funds in 1923 amounted to slightly over 4 per cent of the pay-roll.

<sup>4</sup> Pierre Richemond, *op. cit.*, pp. 17-18, states that during the first nineteen months of the existence of the Parisian fund, the member firms paid out 1,667,000,000 francs in wages and 21,600,000 in allowances.

<sup>5</sup> This estimate is roughly corroborated by the study made by Peret, "Répartition des allocations suivant les charges familiales," *Compte rendu, III Congrès National des Allocations Familiales*, p. 83.

three children, he would receive approximately 12 per cent, and with four, 18 per cent. This is patently less than the expense occasioned by these children, and means that, in the larger workmen's families at least, the income of the household is still not sufficient to adequately provide for the children.<sup>1</sup> Even with the recent increases the sums are still inadequate.

A movement has recently developed to discontinue the allowances for the first two children and to reserve them for larger families. Dr. Peret's study showed that 27 per cent of all the allowances distributed were for first children and 31 per cent for second children. He proposed that the moneys now spent on the first and possibly the second child should be transferred to the later children, which would make the allowance per child of a truly sizable amount without increasing the burden upon the employers.<sup>2</sup> This proposal was not adopted by delegates to the 1923 Congress of Clearing Funds, who were afraid of the difficulties that might be caused by taking away the already existing allowances from so large a percentage of their workers. From a comparison of the average wages paid and the cost of various budgetary standards that have been worked out, it seems indubitable that a considerable portion of French workmen do not receive enough to support even two children, and in many cases not even enough for one. If these are to be at all protected, allowances cannot begin only with the third child, and the total amount paid out in allowances needs appreciably to be increased.

The scale of the Roubaix funds seems, on the whole, to be fairly adequate, since the allowances for two dependent children amount to approximately 25 per cent of the average father's wages. The cost of maintaining this scale amounts, as has been stated, to between 5.5 and 7 per cent of the pay-roll. The fact

<sup>1</sup> Even M. Romanet admits that in Grenoble they met only one-third of the cost of maintaining a child in 1921. See "Organisation des entreprises au point de vue social," extrait du *Bulletin de la Société Industrielle de Mulhouse*, November, 1921, p. 8.

<sup>2</sup> Peret, *op. cit.*, pp. 87-90.

that the Roubaix mills employ so large a percentage of women and juveniles makes the ratio of dependents lower than the general average for the country as a whole. The widespread adoption of such a scale would, therefore, involve a greater financial cost, which would probably average somewhere between 7 and 8 per cent of the pay-roll.

#### IV. FURTHER FEATURES OF THE ALLOWANCES PAID THROUGH THE CLEARING FUNDS

The creation of these allowances has raised a number of interesting questions concerning the conditions under which an employee is eligible to receive benefits for his children. It should be noted, in the first place, that the allowances generally apply to clerical as well as to manual workers, and that female employees receive allowances for their dependent children in the same fashion as men. No distinction is commonly drawn between legitimate and illegitimate children. The Roubaix fund, however, pays the unmarried mother only one-half the normal allowance,<sup>1</sup> while that of Rouen gives only a similar fraction if the female employee has two illegitimate children.<sup>2</sup>

Most funds fix a maximum yearly salary limit which bars those receiving more from being granted allowances. This maximum varies widely, ranging from 6,000 francs in Lorient to 15,000 at Paris. In most of the funds, foreign workmen are barred from benefits, but in those regions where they are most numerous, they are included.

In order to stimulate apprenticeship, a number of funds have taken steps to continue the allowances beyond the upper age limit if the child is apprenticed to or is learning a skilled trade, or if he is continuing his studies. Thus, the fund for clerical workers in Le Havre continues the allowance up to the age of sixteen years. The Marseilles fund grants the allowance for three additional

<sup>1</sup> *Les allocations familiales*, published by the Consortium de l'Industrie Textile de Roubaix-Turcoing, p. 30.

<sup>2</sup> *Règlement Caisse Patronale de Sursalaire de Rouen*, p. 5.



years if the child is apprenticed without pay to a trade. Mulhouse, Orléans, and Rodez continue the allowances for two years to children who are continuing their studies.

The length of time required before an employee becomes eligible to receive the allowances varies. Some funds, notably those of Mulhouse, Grenoble, Nantes, and Thizy-le-Cour grant the allowances from the moment the worker enters the plant of a member. Others require a month's work, and frequently more, for eligibility. The worker who leaves an establishment generally loses the allowance for that month, although in some cases this is continued if he goes to another plant within the same fund.<sup>1</sup> In the funds of Roubaix and Paris, however, he loses his allowance both for the last month of employment in the former establishment and for the first month in the new. In general the plans seek, in the words of the Bordeaux fund, "to stabilize their personnel."<sup>2</sup> The Roubaix fund states that their regulations have materially decreased the turnover of labor.<sup>3</sup>

Since the funds are anxious to differentiate the family allowances from the wages paid, they have insisted that when a worker is injured, the allowances should not be treated as a part of his wage in computing the amount of compensation legally due him. A large percentage of the funds, however, continue to pay the allowances themselves during the period of temporary disability, while a number of others continue the allowances for stated periods of time if the employed person is ill.<sup>4</sup>

The different procedure which the various funds have followed in the case of short time and unemployment is interesting. A dozen or more funds, of which Roubaix-Turcoing and Mulhouse are the most important, are very frankly upon a daily basis.

<sup>1</sup> The Rouen fund is an example of this.

<sup>2</sup> Achille Glorieux, "Répartition des charges entre les adhérents des caisses," *Compte rendu, III Congrès National des Allocations Familiales*, p. 104.

<sup>3</sup> *Ibid.*

<sup>4</sup> In Rouen, this is three months, in Strasbourg, twenty-six weeks.

Thus, at Roubaix, if the worker is prevented from working a full month because of a shortage of material or a stoppage of machinery or motive power, by a lack of sales, or by a lockout, he loses the allowance for the proportion of time lost. The majority of the funds are, however, at least nominally, upon a monthly basis.<sup>1</sup> But even these frequently make proportionate deductions for the time lost because of unjustifiable abstention from work on the part of the employee. Few, moreover, would probably continue to pay the allowances if the workers went out on strike. At Roubaix, the men who are voluntarily absent from work, whether individually as absentees or collectively as strikers, now lose their allowances not only for the time actually lost but for the remainder of the month as well.<sup>2</sup> A representative of the Roubaix fund declares that this has had the effect of causing those receiving the allowances "to think before listening to agitation, to talk matters over with the employer, and to quit the shop only under exceptional circumstances."<sup>3</sup>

The first fifty funds or so were born in a period of industrial prosperity and consequent little unemployment. In the latter part of 1920 and in 1921, however, French industry, like that of most other countries, suffered a very real depression. Many firms were forced not merely to run on part time, but to dismiss a large portion of their employees. The problem of how to distribute the family allowances under these circumstances became most pressing. An inquiry by the French Ministry of Labor in 1921 showed what steps were taken by thirty-four of the largest funds.<sup>4</sup> Fourteen funds reported that they had employed no special measures,

<sup>1</sup> Dupont, *Compte rendu, I Congrès National des Caisses de Compensation*, 1921, p. 33.

<sup>2</sup> *Allocations familiales*, published by Consortium de l'Industrie Textile de Roubaix-Turcoing, pp. 16-17. The Strasbourg (Bas-Rhin) fund might be similarly administered.

<sup>3</sup> Achille Glorieux, *op. cit.*, p. 104.

<sup>4</sup> "Les caisses de compensation d'allocations familiales et la crise de chômage," *Bulletin du Ministère du Travail*, XXVIII (April, May, June, 1921), 150-53.

because they had not suffered severely from unemployment. Thirteen stated that they had continued the allowances without any abatement for all those who were partially unemployed (workers on part time), but had not paid them to workers completely laid off. The majority of these funds declared that they had kept the heads of families employed as far as possible. In consequence of the laying off of so many single men, the ratio of the allowances to the pay-roll greatly increased, and was in some cases twice what it formerly had been. Three funds adopted special measures of relief. One of these, the Lyons fund, ruled in 1921 that no worker was to be discharged in the future, but that if necessary the length of the working-day would be reduced instead. The allowances not only were to be maintained intact, but were actually to be increased for workers with large amounts of involuntary lost time.

Only four funds continued to pay the allowances to those laid off as well as to those partially employed.

## CHAPTER VI

### FAMILY ALLOWANCES AND CLEARING FUNDS IN FRANCE—*Continued*

#### V. STRUCTURE AND ADMINISTRATION OF THE FUNDS

The major factor which determines the scope of the various funds as well as the method followed in allocating the burden among the member firms is the relative expense attached to each alternative. The key to most of the changes that have been made can be found in the desire of most businesses to reduce their own costs to a minimum.

In brief, the funds fall into two main groups: (1) the trade or industrial funds, which include employers who are engaged in similar work or who turn out similar products, and (2) the regional funds, which include employers in diverse industries within a common territory. The former have been, in the main, instituted by specific employers' associations, while a considerable proportion of the latter have been formed at the initiative of groups designed to promote the welfare of France, such as the Association Nationale d'Expansion Économique, and in localities where there are only a few employers in each industry. The nominally regional funds form slightly over half the total number.<sup>1</sup> As we shall see, there is an increasing tendency for these in turn to subdivide into federations of industrial groups.

The experience at Grenoble illustrates clearly the forces which tend to create the industrial funds. It will be remembered that the payment of family allowances had become general in that city by 1918, when the fund for the metallurgical industry as a whole was established. Several employers in other industries asked to be admitted to membership and were accepted. The mass of the

<sup>1</sup> In March, 1924, the number of regional funds was reported as 94 and the trade or industrial funds as 76.

other employers, however, held aloof, because they employed more female and juvenile labor than the metal trades and consequently had a small proportion of dependents to assist. For those firms to join the metallurgical fund would have meant a shouldering of the burden of supporting the children of the metal-trade workers. They would consequently have saddled themselves with a greater expense than by paying allowances only for the children of their own employees or participating in a fund for their industry alone. After a few months of this experience, the metallurgical fund voted not to admit any additional employers from other industries, stating that experience had shown that "the employers who had asked for admission to the Clearing Fund were exclusively those who, by their family burdens, would benefit from an extension of the fund."<sup>1</sup> This fund therefore returned to an industrial basis. The various trades then began to form funds of their own, and by the spring of 1922 there were no less than seven distinct funds in operation in Grenoble and the adjacent territory.<sup>2</sup>

This natural desire on the part of those employers whose employees have relatively few dependents has led them generally to seek separate affiliation with those in a similar situation and to eschew "entangling alliances" with those industries where the proportion of dependents is high.

This same principle has led to the reorganization of a number of the regional funds. Thus, the Parisian fund, after slightly over a year of experience, divided into two sections, the industrial and the commercial, the latter, with its smaller proportionate number of dependents, being assessed for them alone.<sup>3</sup> Other funds also have either created financially autonomous subdivisions or have

<sup>1</sup> Quoted in Paul Bureau, *La Caisse de Compensation du Syndicat des Metallurgistes Dauphinais*, 1919, p. 6.

<sup>2</sup> The six additional funds were those for paper-making, building and public works, gloves and skins, establishments with mixed personnel, large and medium-sized factories and stores, and for commerce and industry.

<sup>3</sup> Pierre Richemond, *La Caisse de Compensation de la Région Parisienne*, pp. 15-16.

assessed some industries, as such, at a lower rate than others. Thus, the regional fund in Nantes had by July, 1923, no less than eight financially autonomous sections, while two more were in the process of creation. Each section was responsible only for the allowances paid to the dependents of its own employees. The difference in the amount of the assessment per hour worked upon the employers in the various sections for the last quarter of 1922, as shown in Table XXIII, is at once an evidence of the difference

TABLE XXIII\*

Section	Assessment per Hour (in Centimes)
Food.....	2.1
Building and public works.....	3.5
Coal.....	3.6
Commerce:	
First group, including wines, etc.....	2.3
Second group, including novelties.....	0.6
Miscellaneous industry:	
First group.....	4.5
Second Group.....	1.8
Metallurgy.....	4.7

\* See Abel Durand, "Monographie de la caisse de Nantes et de ses œuvres sociales," *Compte rendu, III Congrès National des Allocations Familiales*, p. 18.

in the average number of dependents in the various branches of industry and a vivid illustration of why employers in those trades with few dependents prefer to cut themselves off from the financial responsibilities of the remaining industries.

The assessment upon the employers in the second commercial group was approximately only one-eighth that in the metallurgical section<sup>†</sup> and in the first group of miscellaneous industries. Out of the sixty-five funds existing in June, 1921, only twenty-seven were truly inter-industrial and levied an equal assessment without distinction upon the various employers of different trades for the

<sup>†</sup> This was not wholly due to the smaller ratio of dependents. The metallurgical section also granted allowances that were about 40 per cent higher than those of the other sections.

dependents of all the employees.<sup>1</sup> Since then the proportion of such funds has beyond doubt decreased appreciably with the distinct trend which has gone on toward subdivision.

The leaders of the movement are distinctly in favor of the single regional fund without differentiation by trade. Some of the arguments that have been advanced in support of this type of fund are: (1) An industry can employ women and children only if there are other industries in the locality which employ the heads of the families. If these latter industries were not present, the others would be compelled to hire men and hence increase the number of dependents and the expense of the allowances. The advantages of employment are therefore reciprocal. (2) A considerable portion of the wages of the women and juveniles, by eking out the wages of the father, goes to the actual support of other members of the family. It is consequently only just that those industries which employ women and young people should pay part of the maintenance of the children. (3) The labor supply for an industry is drawn primarily not only from the children of those workmen engaged in that industry, but from the children of the locality as a whole. It is only proper that the various manufacturers should bear their share in meeting the expense of bringing up the local pool of labor from which the various industries will draw. (4) The establishment of a single fund for a region helps to eliminate the confusion caused by a number of separate industrial funds with varying scales of benefit and differing rules. The administration of infant-welfare work and of family-visiting is also much more effective if it is carried out by a regional fund instead of by a number of industrial funds. The advantages of this uniformity, however, might be obtained to an almost equal degree by subdividing a regional fund into a number of separate but federated trade funds.<sup>2</sup>

<sup>1</sup> Fernand Rey, "Rapport sur le cadre professionnel ou régional des caisses," *Compte rendu, I Congrès National des Caisses de Compensation*, 1921, p. 53.

<sup>2</sup> See especially Fernand Rey, *op. cit.*, pp. 52-56; also Pierre Richemond, *op. cit.*, pp. 7-9.

In 1921 the Congress of Clearing Funds indorsed the principle of the regional fund as the ultimate goal toward which the movement should work, while permitting the trade form as a transitional measure.<sup>1</sup> In practice, however, the Central Committee of Family Allowances has encouraged the formation of funds on the trade basis wherever they were unable to form a regional fund. There has certainly been no diminution in the proportion of trade funds that have been formed. The paper industry in Paris, for example, refused in 1922 to enter the regional fund, and instead set up a fund of its own, while funds have continued to offer lower ratios of assessment to certain trades in order to get them into the system. The justification for such exceptions has been stated by Pierre Fauvet: "It is better to have one fund more than no fund at all."

The methods employed by the various funds in computing the assessments upon individual employers are of three main types, namely, according to (1) the number of workmen employed, (2) the amount of time worked, and (3) the total amount paid out in wages.<sup>2</sup>

In 1921 eleven out of sixty-four funds, of which the original Grenoble fund and that of Lyons were the most important, used the first method. Sometimes this is merely a predetermined flat sum per head, which serves to accumulate a fund from which the allowances are paid. More often the allowances are first paid out, and the assessment is then levied by dividing the total amount paid out in allowances during a given period by the total number of workmen employed in the member establishments. Each employer's contribution is the product of this per capita amount multiplied by the number of workmen on his pay-roll. While this method is very simple, two serious defects in its operation have been disclosed. The first and less important is that it imposes a heavier burden upon the plant that has operated only part time

<sup>1</sup> *Compte rendu, I Congrès National des Caisses de Compensation*, pp. 96-97.

<sup>2</sup> Exclusive, that is, of the agricultural funds, some of which use the acreage as the method of computation.



than its business warrants in comparison with other plants having an equal number of workers but affording steadier work. It is only to be expected that plants or trades with a great deal of part time would be chary about voluntarily entering such a fund.

The second and more important difficulty is the fact that an employer pays the same assessments for women and children, who have few direct dependents, as for men who have many. The same obstacle which militates against the formation of regional funds thus operates against this method of assessing liabilities within the fund. A number of modifications of this system of assessment have been used to meet the objection of the employers who have large numbers of female and juvenile workers. One is to count women and employed children as less than one, generally as one-half.

Another device that has been practiced is to set up two accounts, one for men and the other for women, and to make the latter responsible only for the allowances paid to the dependents of the women workers. A third method, which has been adopted by one fund, is to create five separate sections with varying assessments per employee. Establishments are then placed in these funds according to the ratio of dependents to their employees. Table XXIV shows the basis of classification adopted. The defect of this device is apparent. It would tend to bring back the very danger that the funds were created to avoid, namely, the giving of preference in employment to those without dependents.

The second method of assessment, namely, according to time worked, was practiced in 1921 by five funds. Here the number of man-days or man-hours worked serves as the divisor. Since this method charges the employer only in proportion to the amount of service he has received, the objection which the employer whose plant has operated irregularly makes to the per capita system is removed. It does not, however, meet the question whether the assessment for women and children should be less than that for men. Some of the leaders of the French movement have also

criticized it because it seems to emphasize a connection between the allowance itself and the amount of work given by the workmen, a connection which the clearing funds constantly deny.

TABLE XXIV\*

Section	Ratio of Dependents to Employees	Assessment per Month of 25 Working-Days (in Francs)
A.....	.70 and over	15
B.....	.51 to .70	12
C.....	.36 to .50	8
D.....	.21 to .35	5
E.....	less than .20	3

\* Pierre Fauvet, "Rapport sur les différentes bases du calcul de la compensation," *Compte rendu, I Congrès National des Caisses de Compensation*, 1921, p. 44.

The third method of determining the employer's contribution, according to the amount of his wages bill, is the one followed by most of the funds. In 1921 no less than forty-six of the sixty-four funds followed this method,<sup>1</sup> among them being the extremely important ones of Roubaix, Rouen, Lille, Mulhouse, and Paris. It might be expected that this method would of itself satisfy the employers of female and juvenile labor, since the wages of these workers are appreciably less than those of adult males. Such, however, has not been the case. The employers of women and juveniles in the regional funds have sought to secure a more exact correspondence between the expense of paying allowances directly to their employees and their assessments for the fund than that which is afforded by the proportion of their wages bill to the total. One fund in the North of France has established a lower rate for all establishments which pay out more than 1,000,000 francs a quarter in wages, in view of the fact that these larger enterprises employ a larger proportion of women and juveniles. Others multiply the wages of women and children by a lower coefficient than is applied to those of men. Thus, at Nancy, the wages bill

<sup>1</sup> Pierre Fauvet, *op. cit.*, pp. 38-39

of the textile industry is multiplied by 1.5, while that of the metallurgical industry is multiplied by 3.

In the majority of funds, the allowances are paid out directly by the firms themselves.<sup>1</sup> The fund then charges each employer periodically with his share of the total expended in allowances, and acts as a clearing house for the collection and payment of the balances. This method reduces the administrative machinery required for the fund itself to a minimum and makes the payment of the allowances a relatively simple matter. Such a method is, however, directly conducive to each employer's computing constantly how his charges may be lessened by a reorganization of the fund.

A number of funds, of which those of Paris (regional), Bordeaux, and Rennes are the most important, collect the full amount of the assessments from the member firms and then pay the allowances themselves. The advantage that is generally urged for this method is that the allowances are thereby still further divorced from wages. When the fund, and not the employer, pays the allowances, it is normally necessary to accumulate a safe reserve through the levy of a predetermined rate.

The majority of the funds pay the allowances to the male head of the family when he is employed. Twenty-seven of them, however, notably those of Lille, Amiens, Dijon, Caen, Tours, Strasbourg, and the Parisian regional and building funds, pay the allowances directly to the mother of the family. These funds believe that the mother can better be depended upon to expend the money for the benefit of the children than the father, and that this method divorces the allowance from any connection with the father's wage and service. This type of payment is naturally best adapted to those cases where the fund itself pays the allowances, although in a number of cases the individual firms themselves send the allowances to the mother. Many funds would like to

<sup>1</sup> Among these are the funds of Roubaix, Lille, Tours, Grenoble, Rouen, Dijon, Saint-Dizier, and Strasbourg.

make the payments to the wife, but believe that the men would be bitterly opposed to their wives' being given the expenditure of this money, since it would tend to make the wives more independent financially of their husbands.

The fact that many families have more than one wage-earner has created a number of complicated problems. The funds early realized the danger of a family receiving double allowances if both father and mother were employed by members of the fund, and have universally provided that in this event the allowance is to be divided and one half allotted on behalf of the father, the other on behalf of the mother. The employment of juvenile members of these families by other members of the funds and by firms outside the funds have, however, caused many members to feel that they were bearing more than their just share of expense, and have led to a number of very interesting changes in the rules of some of the funds. Those industries within the fund that employed the older sons and daughters were paying out directly much smaller sums than the industries where the parents of these same juveniles were employed. In the Roubaix-Turcoing fund, for example, the spinners of combed wool paid out only 4.28 per cent of the payroll in allowances, and the cotton-spinners paid out only 4.32 per cent, while the dyers of materials and the cleaners and carders paid out 8.12 per cent and 8.29 per cent respectively.<sup>1</sup> Since there was a single rate of assessment for the whole fund, the employers in the first two trades, as well as those in a few others, found themselves continually to be paying over large sums to be distributed to the other employers, and chafed under this obligation.

Where establishments outside the funds employed juvenile workers whose parents were employed within a fund, the full burden of maintaining the dependents of the family was thrust upon the members of the fund, even though the juveniles were themselves contributing to the support of their respective families.

<sup>1</sup> Glorieux, "Répartition des charges entre les adhérents des caisses," *Compte rendu, III Congrès National des Allocations Familiales*, p. 99.

The Roubaix fund, therefore, voted that, beginning on July 1, 1922, all members of the family over thirteen years should be counted as contributors to the family support, with the exception of wives not gainfully employed and soldiers in active service. Each of these persons who was employed by any member of the fund was to be paid by his employer his proportionate share of the allowances ascribed to that family. This may be illustrated by the case of a family including three dependent children, where the mother takes care of the household and the father and a sixteen-year-old girl are employed by different members of the fund, while a boy of eighteen years is employed by a firm which is not a member of the fund. The total daily allowance to which the children are entitled is 8 francs, but instead of this full amount being advanced by the establishment that employs the father, it is divided into three equal parts of  $2\frac{2}{3}$  francs. Each of the firms within the fund will pay out this sum, the firm employing the young girl paying the amount either to the juvenile or to the parent, as the latter may direct.<sup>1</sup> This has had the effect of distinctly lessening the disparity between the amounts paid out in allowances by the various employers. The percentage of the pay-roll so disbursed by the employing cotton-spinners rose from 4.33 to 5.61, while that for the dyers of material fell from 8.12 to 7.77 and for the cleaners and carders from 8.20 to 7.76.<sup>2</sup> It may well be asked whether this change was in itself of any assistance to the trades with a lower assessment, since they now merely paid out directly money which otherwise would have been given to the fund. The psychological effect upon these employers, however, was distinctly favorable, since, by not paying as high a balance into the fund, they thought less of the extra expense which the fund with its single rate of assessment seemed to be causing them.

Finally, the fund as a whole freed itself from the burden thrust

<sup>1</sup> *Allocations familiales*, published by the Consortium de l'industrie Textile de Roubaix-Turcoing.

<sup>2</sup> Glorieux, *op. cit.*, p. 105.

upon it by industries that did not pay proportionate allowances. It no longer paid the integral amount of the allowances merely because one of its members employed the head of the family. Instead, it paid only that proportion which the number of the family's wage-earners whom it employed bore to those in the family who were eligible for employment. It should be realized, however, that it assumed an added expense by paying proportionate allowances to juveniles whose parents were employed by non-members.

The fund at Blois has recently adopted an identical system in order to lessen its burdens,<sup>1</sup> and an approach toward the measure has also been made by the Strasbourg fund.<sup>2</sup>

#### VI. THE BOKANOWSKI PROPOSAL AND THE QUESTION OF STATE ACTION

It will have been apparent that the family allowances and the clearing funds have predominantly developed at the immediate initiative of the employers and without legislative compulsion. A vigorous battle has been waged over the question whether the system should continue as a voluntary growth or should be made compulsory by the state upon all employers. In February, 1920, when a large number of individual firms were already paying family allowances but when only six clearing funds were actually in operation, M. Maurice Bokanowski and a number of others introduced a bill which proposed to make the system obligatory upon all employers.<sup>3</sup> The authors of the measure declared that it was necessary to take this step:

<sup>1</sup> See Megault, "Choix du mode de compensation dans les régions à industries dispersées," *Compte rendu, III Congrès National des Allocations Familiales*, pp. 112-13.

<sup>2</sup> See *Règlement, Allocations Familiales*, published by the Caisse Patronale de Compensation Bas-Rhin, pp. 4-6. This dividing of the allowance applies in the case of the parents, but apparently not for the juveniles.

<sup>3</sup> "Proposition de loi tendant à instituer l'aide aux familles nombreuses par l'institution du 'sursalaire familial'," No. 386, Chambre des Députés, Session de 1920. *Annex 1 au procès-verbal de la séance du 24 Février, 1920.*

first, because the question of the increase of the French birth-rate is so pressing that it does not appear practicable to wait until all the employers have been forced to follow the example set by certain of them. In the second place—and this is the motive, as one knows, which not only justifies but frequently renders compulsion in matters of social legislation absolutely necessary—because it is not just that the best and most far-seeing employers should endure in the daily struggle of business, as a burden added to all the other expenses of their enterprise, the full weight of their happy initiative for the general welfare.

The bill made membership in either a professional or a regional fund compulsory upon all persons who employed one or more persons for at least 115 days a year on an average of at least five hours a day. This obligation therefore applied not only to employers in manufacturing and in transportation, but to those in agriculture and trade, as well as to householders. These funds were to pay four types of allowances: (1) allowances for pregnancy; (2) lump-sum maternity benefits: at least two-thirds of the monthly wage for the first child and at least one-third for each succeeding child; (3) bonuses for breast-feeding: at least 10 per cent of the monthly salary, to be paid for ten months if the mother nursed her child during this time; (4) monthly allowances for all children below the age of fourteen years. The monthly allowance was to be at least 5 per cent of the wage in the case of the first child and at least 7.5 per cent for the succeeding children. The allowances were to be paid to the mother of the family by each establishment. It will be noted that in prescribing a percentage of the monthly wage as the minimum, the bill pointed away from the customary flat-rate payments and toward allowances proportioned according to the income.

These funds were to assess their members at the rate of at least 5 per cent of their wages bill. The bill provided that professional funds (i.e., trade or industrial) could be set up by the employers which were to have all the rights of a legal person to recover dues from the employers and to punish false statements by the workers. They were to be managed by the employers, who

were to elect an administrative committee, whose decision, in case of dispute, was to be binding and not subject to appeal. The state was to have absolutely no voice in the administration of these funds, save that they might inspect the accounts. All the costs of administration, however, were to be borne by the state.

The professional funds might, upon the favorable decision of the committee concerned, merge to form a regional fund, which would continue, presumably under their management. Regional funds were also to be instituted in those departments where no professional fund existed, or where the existing funds included less than 30,000 employees, or, finally, where any employer preferred not to join any of the existing professional funds. Presumably such funds were also to be organized where there were employers lying outside the scope of the existing funds, even if these were large, or where there were those who did not wish to belong to any fund, although the bill was not thoroughly clear upon this point. These regional funds were to be organized under the auspices of the government, although, here again, the bill was deficient in any clear statement as to whether this control was to be permanent or was merely to be transitional.

This proposal of M. Bokanowski was vehemently opposed by the various French employers' associations, including the Congress of French Industrial Societies, the Convention of Presidents of the Chambers of Commerce, the Congress of French Agriculture, and the enormously powerful Union of Economic Groups (Union des Intérêts Économiques), representing 157 large employers' associations.<sup>1</sup> Finally, the Congress of Clearing Funds itself with but two dissenting votes passed a resolution opposing the passage of the Bokanowski measure.<sup>2</sup>

The chief arguments advanced against the measure by its various opponents were:

<sup>1</sup> A. Bernard, "Rapport sur l'autonomie des caisses et l'intervention législative," *Compte rendu, I Congrès National des Caisses de Compensation*, pp. 70-72.

<sup>2</sup> *Compte rendu, I Congrès National des Caisses de Compensation*, pp. 98-99.



1. That "it would create a cumbersome administrative machine staffed with officials, inspectors, and judges,"<sup>1</sup> who would be a heavy burden upon industry and upon the taxpayers. It should be remembered that the Bokanowski bill provided that the administration of the professional funds was to be in the hands of the employers themselves, and that the only interference by the state was to be that of inspecting the accounts. Where, however, the existing professional funds included less than 30,000 employees in any department, the employers would have been forced to enter a state-managed regional fund. This would probably have meant, in practice, the absorption of all but the largest professional funds into the governmental system.

2. That it would mean encasing the system in a series of uniform rules which would be unadapted to a new and fast-growing institution needing above all freedom to adapt itself to such widely differing conditions.

3. That, in view of the growth of the system of family allowances and clearing funds, the principle of compulsion should not be applied for some time at least. The employers pointed out that, while there were only six funds in existence when M. Bokanowski introduced his bill, in a little over a year, virtually seventy more funds had been organized. They urged that the state should not disturb an institution that was developing so rapidly. There can be little doubt, indeed, that it was the threat of legal compulsion that made the proponents of the system redouble their efforts in 1920 and 1921 to bring more funds into existence. This anxiety was also undoubtedly one of the reasons why so many of the funds permitted the employers of women and juveniles to alter the basis of organization and the method of computing the assessments, for, as M. Pierre Fauvet said at the First National Congress of Clearing Funds,

It is necessary to prevent at all costs these easily dissatisfied employers from quitting the funds at a time when we wish to demonstrate the power of our funds, and oblige those who have hitherto refused to admit it to

recognize that private initiative of itself is sufficiently strong to generalize the system of family allowances and their payment through clearing funds, without which there would be need for legislative intervention.<sup>1</sup>

The preceding arguments seem, however, to have been more in the nature of assigned objections than real objections. They were useful in stirring up public opposition to the bill, but they were not the primary causes for the vehement opposition of the various employing groups. The motivating reasons of that opposition were the following:

4. That the introduction of the principle of compulsion would cause the workmen to regard the allowance as a right, and not as a gratuity to them by the benevolence of their employer. The Mulhouse fund stated this objection clearly: "To accept this proposal would mean, for the employer, the replacing by obligatory contributions of a sacrifice freely consented to; for the worker, it would mean replacing the employer's bounty by an acquired right."<sup>2</sup> This same principle was also behind the employers' objection to the term "family supplementary wage" (*sursalaire familial*), which M. Bokanowski gave to the allowances.

Were the workers to regard these allowances as a right or as an integral part of their wage, they would not only cease to appreciate the benevolence of their employers, but they might also at any time demand an increase in the amount of the allowance, and thus create another object of dispute between employees and employers.

5. That it would require a much larger assessment on the part of the employers than they were subjected to under the existing funds. The Bokanowski bill exacted a minimum levy of 5 per cent of the pay-roll, whereas there was but one fund in the country, that of Roubaix-Turcoing, which then demanded as much or more than this,<sup>3</sup> while the average contribution in the other

<sup>1</sup> *Op. cit.*, p. 48.

<sup>2</sup> Quoted by A. Bernard, *op. cit.*, p. 74.

<sup>3</sup> There are apparently four funds which now pay higher allowances than those granted by the Roubaix fund. These are the funds at Troyes, Bourges, Vierzon-Forges, and the Parisian stockbroker's fund.

funds was only 1.75 per cent. It is probable that this was the real source of opposition on the part of the existing funds. They naturally objected to a trebling of their assessment. The Roubaix-Turcoing fund, however, which had nothing to lose by the bill, since it was more than meeting the prescribed requirements, and which would indeed profit from it by bringing its competitors up to approximately its own level, at first favored the bill. It was almost alone within the Congress of Clearing Funds, however, in this position.

The final ground for the objection of many of the employers was seldom stated, but it was no less real, namely:

6. That it would force employers who were not paying allowances, and who did not wish to do so, to be saddled with an additional expense. This opposition naturally came from within the various employers' associations rather than from the funds themselves. It seems, indeed, to have been the primary reason for the opposition of the agriculturists, since these have not subsequently set up voluntary funds of their own to any appreciable degree as a substitute for state action.

The Bokanowski bill was referred to a committee of the Chamber of Deputies and no action was taken on it for over a year, when the committee declared itself to be "in favor of the principle of the supplementary wage." The question of compulsion was brought up before the Supérieur Conseil du Travail, an advisory council to the Ministry of Labor, in November, 1921. A petition was then presented by representatives of the workers, asking that the allowances be made obligatory upon all employers and be paid through the intermediary of professional and regional clearing funds, which were to be subsidized by the state and controlled by it in co-operation with joint committees of employees and employers. This proposal went even farther than that of M. Bokanowski, since it called for state subvention and for the administration of the system by the state and not by the employers. The employers were strong enough to induce the body to postpone

further consideration of the question of compulsion and of state subsidies until after the comprehensive social-insurance bill which had been drawn up by M. Daniel Vincent, the minister of labor, had been examined.<sup>1</sup> This has amounted virtually to tabling the consideration of the measure.

The Bokanowski bill was allowed to slumber in the Chamber of Deputies itself, as was to be expected in a house most of the members of which owed their election in 1919 to the financial support of the Union des Intérêts Économiques. M. Victor Jean has drawn up a modification of the Bokanowski measure<sup>2</sup> which exempts all employers of domestics, as well as all those in manufacturing and commerce who employ less than 10 workmen, or in agriculture less than 20. The minimum monthly allowance for the first child is lowered from 5 per cent of the parents' salary to 3 per cent, and for the subsequent children, from 7 per cent to 5 per cent. The feature of governmental control of all funds, save those including more than 30,000 employees in a department, is, however, retained from the earlier measure.<sup>3</sup>

There are indications, however, that the attitude of a considerable proportion of French employers is slowly changing on the question of compulsion. Thus, during the Social Week which the Catholic employers held at Strasbourg in August, 1922, the fact that the major portion of French employers still refused to establish allowances was fully discussed. The assembly finally concluded that compulsion was the only effective way to extend the benefits of the family-allowance system to all workers and to equalize the costs of the French employers, and resolved that "the state should impose on all employers the obligation of giving

<sup>1</sup> See the *Bulletin du Ministère du Travail*, XXVIII (October, November, December, 1921), 363-65.

<sup>2</sup> See the text of this proposed law in Victor Guesdon's *Le mouvement de création et d'extension des caisses d'allocations familiales*, pp. 272-77.

<sup>3</sup> Another ambitious project that has been discussed from time to time is that of creating a super-fund for all France, into which each fund would make payments and which would equalize the contributions of all.

to their personnel a minimum allowance and that of becoming part of a professional or regional clearing fund."<sup>1</sup>

It was pointed out that this resolution was not intended to turn the funds into the hands of the state bureaucracy, but to make membership in some private fund compulsory upon all.

No less significant, and of greater immediate effect, has been the agitation for the compulsory payment of allowances by all private contractors who are engaged on governmental building projects. The contractors who granted such allowances complained that those who did not pay allowances were able to offer lower bids and thus receive the contracts. They asked, therefore, that all contractors on public works should be required to pay such allowances. A bill to this effect was introduced in the Chamber of Deputies, which was to be binding upon all contractors for public works, whether undertaken for the national government, the departments, or the communes. The measure passed the Chamber of Deputies unanimously, but was vitally amended in the Senate by making it only optional and not compulsory upon the administrative authorities to require such payment. In July, 1923, three administrative decrees were issued<sup>2</sup> which made the payment of family allowances compulsory upon all contractors who worked directly for the national government. Contractors working for the departments and public benevolent institutions, on the other hand, were not required, as a whole, to pay such allowances, while the local government officials were merely authorized to insert such provisions at their option.

In August, the Ministry of Labor promulgated the minimum standards to which these funds must conform: (1) they must include at least 2,000 workmen; (2) they must pay minimum monthly allowances of 20 francs for the first child, 30 francs for the second, and 40 for the third child and for all subsequent

<sup>1</sup> See Eugene Duthoit, "L'avenir des caisses de compensation pour allocations familiales," *Revue des jeunes*, XIII, No. 2 (January 25, 1923), 180-81.

<sup>2</sup> *Journal officiel*, July 16, 1923.

children; (3) the allowances should be paid to children up to at least thirteen years.<sup>1</sup>

The French government, moreover, within the last decade, has passed several laws granting state subventions to families, which are worthy of being chronicled. In 1913 an act granting maternity benefits to mothers was enacted, as was another requiring communes and departments to grant allowances for all children beyond the third in any one family who were under thirteen years of age and whose parents did not have sufficient means to maintain them.<sup>2</sup> These allowances were not to be less than 60 francs per child. If they exceeded 90 francs, on the other hand, the commune was to be responsible for the full amount of the excess.<sup>3</sup> No standards were laid down by the law governing the condition under which a family was to be judged as dependent. It was, instead, left to the council of each department to determine what classes were to receive the benefits. War-time increases were added to the amounts designated by the law of 1913. Some of the localities, notably Paris, made extra appropriations of their own for both these purposes, and paid out more than the maximum compensation granted from the funds of the central government and the departments.

Various bills were introduced from time to time in Parliament proposing further governmental appropriations in aid of large families, and in 1922 the Chamber of Deputies passed a measure extending the scope of the 1913 law so that it would include all families, and not merely those formally regarded as "dependent." An annual allowance of 360 francs was to be provided for all children beyond the third who were less than thirteen years old. If ill or apprenticed, this age limit was to be raised to sixteen years.

<sup>1</sup> *Industrial and Labour Information*, October 5, 1923. Published by the International Labour Office.

<sup>2</sup> See *Bulletin du Ministère du Travail*, XX (*Supplement des actes officiels*), 17-19, 38.

<sup>3</sup> *Ibid.*, pp. 33-34.

In view of the stringent financial situation, however, the Senate reduced the annual allowance to 90 francs, and in this amended form the measure was passed, in July, 1923. All that is required from the father of the family to whom the allowance is to be paid, is that he shall file claim for it and submit corroboratory documents.<sup>1</sup> It is specifically provided that the allowances are not to be cumulated with other family allowances granted by any public body or service. Since no mention is made of those granted by private employers, it is apparent that this allowance is to be a supplement to the allowances granted by individual employers and by the clearing funds. If the statistics for the clearing funds are typical, however, this new law, limited as it is to families with more than three children, will benefit only from 6 to 7 per cent of the total number of French families.

VII. THE MOTIVES OF EMPLOYERS IN INTRODUCING THE SYSTEM  
OF FAMILY ALLOWANCES AND THE ATTITUDE  
OF LABOR TOWARD THE SYSTEM

The French employers who have begun the payment of family allowances have undoubtedly been swayed by a variety of motives. A humane desire to relieve the distress existing in large families, a wish to help raise the birth-rate and thus at once to protect France more effectively from military aggression and to furnish the industries of the country with an abundant supply of labor, are doubtless very real motives on the part of many. Many, moreover, desire to strengthen the friendly ties between themselves and their workers, while still others are swayed by the desire to check the mobility of labor, and see in family allowances a means of stabilizing their labor force. While all these purposes have undoubtedly been operative to a greater or less degree, it may well be doubted whether they have been as influential as the fact that large groups of employers have seen in the family-

<sup>1</sup> For the text of the law see *L'économiste français*, August 11, 1923, p. 170. See also *ibid.*, September 8, 1923, pp. 293-95.

allowances system a means of avoiding the payment of as large wage increases as they would otherwise have been forced to accord.

The experience at Roubaix-Turcoing is an excellent illustration of the way the system adapts itself to this latter purpose. As has been stated, the clearing fund was started there in March, 1920, with an allowance of 1 franc per child per day. Shortly afterward the local textile workers struck. An agreement for the local industry was concluded with the employers and the unions by the Ministry of Labor, which provided for periodic adjustments of wages according to the movement of the cost of living. Between March and October, living-costs advanced from 366 (with 1914 costs as the base, or 100) to 414, or an increase of 13 per cent. The employers, however, increased the basic wage only 7.5 per cent above the previous rate of 2 francs (200 centimes) an hour, but at the same time raised the allowance for children from 1 to 3 francs a day. Parents of families were in consequence in a better position than if the full increase had been added to the wage itself with no increase in the allowances. Unmarried workmen and married employees without children were, however, relatively worse off than before. In January, 1921, the employers abrogated the agreement concluded by the Ministry of Labor, on the ground that the Roubaix wage was greatly in excess of that paid in the competing textile centers, and announced that they would continue the allowances unabated but would cut wages by 30 centimes per hour, a 13 per cent decrease. This cut was made in two equal instalments, the first on March 1 and the second on June 1. When the cost-of-living figures for March were published, it was discovered that the cost of living had decreased to a point exactly equal to the cost for the preceding March. The basic wage rate was, however, between 6 and 7 per cent less than it had been then. In July, 1921, the employers announced a further cut of 20 centimes an hour, thus bringing the hourly rate down from 1 franc 85 centimes to 1 franc 65 centimes, a decrease of approximately 11 per cent.



The cost-of-living index showed a decrease of 8.5 per cent. Thus, with living costs only 8.5 per cent below the figure of sixteen months earlier, the basic wage would have been 17.5 per cent less. The family allowances, none the less, were still maintained without diminution.

All the workers made common cause in opposing this last reduction. Both the Catholic unions and those affiliated with the Confédération Générale du Travail went out on strike. The married workmen receiving allowances went out equally with the unmarried workers, although by so doing they forfeited their allowances. M. Tessier, the secretary of the National Federation of Catholic Workers, although a strong supporter of the family-allowance system in general, charged the employers with what seems to be the patent fact, namely, that the increase in the allowance from 1 to 3 francs daily was given as a sop to conciliate the married workers with dependents and to enable the economies to be made at the expense of the childless employees.<sup>1</sup>

Strikingly similar has been the history of the funds of Lorient and of Nantes. The first originated early in 1918, at a time when the longshoremen were demanding higher wages because of the increase in the cost of living. The employers opposed a uniform increase in wages, but offered instead a small increase plus an allowance of 35 centimes a day, or 100 francs a year, for the first child and 70 centimes a day, or 200 francs a year, for each of the succeeding children. The creation of a fund was also definitely proposed at this time. The union strenuously opposed this project, and finally a compromise was effected whereby the employers agreed to increase the amount of the general increase and to decrease the family allowances from 35 and 70 centimes a day to 25 and 50 respectively.<sup>2</sup>

<sup>1</sup> The details of the events leading up to the strike are discussed by M. Achille Glorieux, a textile manufacturer, and M. Tessier, in a symposium on "Les grèves récentes de Roubaix-Turcoing," in *La réforme sociale*, LXXXII (May, 1922), 264-96. See also the paper by M. Ley, in the same volume, especially p. 435.

<sup>2</sup> Marceshe, "Monographie de la caisse de Lorient," *Compte rendu, III Congrès National des Allocations Familiales*, pp. 29-30.

Individual employers in Nantes began to pay family allowances as early as 1916, and in that year the employers in the ship-building and machine-manufacturing trades proposed that, instead of a uniform increase being granted to all the workmen irrespective of their family status, the cost-of-living increase should be graduated according to the number of their dependents.<sup>1</sup> Interestingly enough, the project also carried with it the creation of a fund to administer the system. The proposal was rejected by the workmen and was not revived until 1919, when the employers voted to grant family allowances which would be nominally independent of any formal cost-of-living bonus.

Such incidents made C. G. T. unions distinctly hostile to the family-allowance system at first. They believed that it was a device to avoid granting a larger increase in wages, which in large part it undoubtedly was, and that it was designed to break up the solidarity of labor by attaching the man with dependent children to his employer rather than to his fellow-workers. They felt that the married men would be less likely to strike if receiving allowances than if receiving only wages. The paradoxical spectacle was then presented of the C. G. T. unionists, who are anti-capitalistic and largely communistic in their beliefs, raising the individualistic shibboleth of "equal pay, equal work," while the conservative French capitalists declared that the proper standard of wage payment was that of "to each according to his needs." The Catholic unions, however, were from the first distinctly favorable to the system of allowances.

The attitude of the C. G. T. forces has distinctly changed of late. Instead of an indiscriminating opposition to the entire movement, virtually all the prominent leaders and organizations have come either to approve or to accept the principle of family allowances, but to demand changes in its scope and administration. Thus M. Leon Jouhaux, the secretary of the C. G. T., declared in December, 1922, that there were now so many workers benefiting from the allowances that it would be impossible to

<sup>1</sup> Abel Durand, *op. cit.* pp. 12-13.

persuade them to give them up. He proposed that the system should be made compulsory upon all employers; that the administration of the clearing funds should be taken from the hands of the employer and be given to the community; that the community as a whole should also assist large families; and that a minimum wage should be established to prevent the employers from reducing wages in order to pay the allowances.

The secretary of the National Federation of Metal Workers attacked the present system because of the control exercised by the employers, but said that it had grown to such proportions that it would be difficult to destroy it. The system should instead be altered and improved in the following ways: All employers should be compelled to pay the allowances and to affiliate with some compensation fund; state control should be exercised over these funds, and the family allowances should be paid to the workers during periods of unemployment and of strikes, the funds for the allowances during these times being drawn from the community.<sup>1</sup> The secretaries of the federations of Textile Workers,<sup>2</sup> Building-Trade Workers,<sup>3</sup> Book-Printers and -Binders,<sup>4</sup> Leather and Skin Workers,<sup>5</sup> and non-manual workers' unions<sup>6</sup> have taken very similar positions. The secretary of the Federation of Underground Workers takes a position that is echoed in part by the other leaders when he urges that the family allowances should be paid, not by the employers, but by the nation.<sup>7</sup> The postal workers, who are of course employed by the state, are also strong advocates of the principle.

French organized labor would prefer to have the entire burden taken over by the state and met from taxes. Since this seems impossible under the present condition of French finances, they are

<sup>1</sup> *Le peuple*, January 8, 1923.

<sup>3</sup> *Ibid.*, January 14, 1923.

<sup>2</sup> *Ibid.*, January 4, 1923.

<sup>4</sup> *Ibid.*, January 17, 1923.

<sup>5</sup> *Ibid.*, October 8, 1922, and January 10, 1923.

<sup>6</sup> *Ibid.*, December 24, 1922.

<sup>7</sup> *Ibid.*, January 21, 1923.

willing to have the employers make the contributions for the allowances. But the system must, in their opinion, be made obligatory upon all, and the clearing funds must be administered either by the state, or jointly by employers and employees under the general supervision of the state. The allowances should not be discontinued during illness, unemployment, or strikes, and state subsidies should be granted to the funds, if necessary, to provide for these contingencies.

#### VIII. THE EFFECT UPON FAMILY COMPOSITION AND THE BIRTH-RATE

The probable effect of the family-allowance system upon the composition of the working force employed by the members of the funds and upon the birth-rate is a most interesting but tangled subject. An investigation by Dr. Peret for the Comité des Allocations Familiales disclosed "that since the creation of the funds, the proportion of families and children in relation to the total number of employees had increased on the average by 10 per cent."<sup>1</sup> The number of children per family, however, had not increased, but remained at virtually the same point as when the funds began their operations, namely, 1.66. The increase in the proportionate number of children for whom allowances were paid was therefore caused by the fact that proportionately more heads of families were employed, rather than by an increase in births. This increase in the ratio of heads of families was due to two main causes:<sup>2</sup>

1. The granting of the allowances drew large numbers of married employees from other industries, while probably many single men in turn transferred themselves to firms that did not pay al-

<sup>1</sup> "Répartition des allocations suivant des charges familiales—leur influence sur la composition du foyer," *Compte rendu, III Congrès National des Allocations Familiales*, p. 86.

<sup>2</sup> Apparently Dr. Peret was drawing his results from an examination of the statistical reports from thirty funds for the period 1920-23. The increase, therefore, cannot seem to be attributed merely to the formation of new funds where the percentage of heads of families was higher than in the original funds.

allowances and where the increase in the basic wage rates seems to have been greater.

2. During the period of unemployment, the establishments that belonged to the funds seem to have laid off their unmarried employees first. A considerable number of them did not return when business revived and were thus permanently squeezed out of the funds.<sup>1</sup>

The fact that the number of children per family remained constant might seem to indicate that the allowances have had no effect upon the birth-rate. Dr. Peret, however, believes that but for them the birth-rate would have been actually lower, and points to the fact that in the early months of 1923 the birth-rate for France as a whole was appreciably less than during the pre-war years and far below the 1920 rate, which was of course heightened by the long-delayed marriages of the demobilized soldiers.<sup>2</sup> While the allowances may have been the factor which offset this decided tendency for births to decrease, the evidence seems too slight to permit of any definite conclusions being drawn. Perhaps the safest statement that can be made is that thus far it has not led to any increase in the birth-rate.

<sup>1</sup> In so doing, the firms seem to have acted against their immediate economic interest, which might be supposed to lie in a general decrease of the number of heads of families supported by the fund as a whole. The fact that an employer would profit only indirectly through such action, combined with the genuine protective feeling for those workmen with dependents which was fostered by the funds, seems to have been sufficient to more than counterbalance the possibility mentioned.

<sup>2</sup> Peret, *op. cit.*, pp. 87-88.

## CHAPTER VII

### THE FAMILY ALLOWANCE SYSTEM IN BELGIUM

The continuous increase in the cost of living in Belgium during the war speedily made the salaries of governmental officials insufficient. A number of administrative bureaus tried to ease the situation for their married employees by granting them supplementary allowances graduated according to the number of dependent children. The amounts of these allowances have been changed from time to time, but at present the national government gives to all its personnel a family allowance of 50 centimes a day (182.5 francs a year) for all dependent children under the age of twenty-one.<sup>1</sup> A number of provinces have adopted an identical scale for their employees,<sup>2</sup> although several make a more liberal provision. In the case of manual workers, these allowances are paid until a child is fifteen, but officials continue to receive the grants until their children reach the age of eighteen. The province of Liège gives family allowances which are graduated according to a somewhat complicated cost-of-living bonus which increases with the number of dependents. A number of cities also pay out family allowances, including Louvain, Brussels, and Etterbeek.

The League for Large Families (*Ligue des Familles Nombreuses*) in the spring of 1924 urged that the children's allowances for government officials be increased to 3 francs a day for the first two children and to 4 francs for the subsequent ones. A governmental committee which reported in the latter part of the year recommended, however, that the allowances be graduated accord-

<sup>1</sup> See *La revue du travail*, XXIV (May, 1923), 954-55.

<sup>2</sup> Notably Brabant, Limbourg, Anvers, Hainaut, and West Flanders.

ing to the index of retail prices, ranging from 15 francs a month when the index, in terms of April, 1921, fluctuated between 301 and 360, to 40 francs when the index was between 480 and 510. This proposal was attacked by the League for Large Families, which demanded that its original recommendations be followed.<sup>1</sup>

The development of the system in privately managed industries has, however, been more notable.<sup>2</sup> The first such establishment to grant family allowances was apparently the coal-mining company at Tamines in 1915, which was followed by two nearby mines. No further progress, however, was made until after the armistice. The coal mines in several additional localities then began, in 1919 and 1920, to pay out similar allowances.<sup>3</sup> These allowances were, however, relatively small. Except in Wérister, they were only 25 centimes daily for the first and second child and 60 centimes for all subsequent children. The Wérister allowances, however, were more substantial, beginning with 40 centimes per working-day for the first child and increasing by 20 centimes daily until 1 franc a day was allowed for the fourth and subsequent children. In 1921 the construction shops of Enghien St. Eloi also adopted the system. In this instance, however, the allowances did not begin until the third child.

Thus far only individual firms had been paying family allowances, and no clearing funds to equalize the charges among the employers had arisen. The first fund was created in 1921 at Verriers, where 39 small machine-shops, employing approximately 2,000 men, voted to pay a monthly allowance of 18 francs to the second child and to all subsequent children. The allowance, like

<sup>1</sup> *Bulletin Mensuel de la Ligue des Familles nombreuses*, November, 1924, pp. 152-56.

<sup>2</sup> For a general description of the growth of family allowances in industry, see *La revue du travail*, XXIV (May, 1923), 951-65, reproducing a report made to the Commission des Familles Nombreuses; *ibid.*, July, 1923, pp. 1409-19, giving excerpts from a report by M. Midol to the Ligue des Familles Nombreuses, Comité Régional de Mons.

<sup>3</sup> I.e., Wérister, Roton-Farciennes, and Nord de Gilly.

the wage, was varied in accordance with the movement of the cost-of-living index, while birth allowances were paid in addition. In 1923 the allowances were extended to the first child and fixed at 12 francs for the first, 20 for the second, 28 for the third, and 36 for the fourth and for all following. Each employer was assessed in proportion to his working force without regard to the amount of allowances paid out to his own particular workmen.

For nearly a year and a half, no further developments occurred. In the meantime, the family-allowance and clearing-fund system was becoming more widely established in France. Many Belgian workers went to France in order to secure the extra allowances for dependents that were being paid by so many funds there, while at the same time the Belgian employers were becoming more thoroughly acquainted with the details of the French system. In August, 1922, a nation-wide fund for the building industry was formed by 170 firms, employing about 10,000 workmen.<sup>1</sup> The scale of monthly allowances granted was 10, 12, 14, and 16 francs respectively for the various children. Closely following the creation of this fund came that for the federation of the foundries of zinc, lead, copper, and allied metals. Here 14 firms, employing approximately 12,000 men, agreed to pay a uniform allowance of 15 francs per month. This began with the first child in the Liège region, but only with the second in two other industrial centers. In September, a fund was formed at Tournais by the owners of 30 quarries and cement factories, where over 5,000 men were employed. This fund granted allowances not only for children, but for all dependents not capable of working, whether juveniles or adults. The amount of the allowance was set at 50 centimes daily for each of the first two dependents of the family, 75 centimes for the third, and 1 franc for the fourth. In November, the Chamber of Commerce of Rennaix decided to create such a fund for those of its members who were in the textile industry,

<sup>1</sup> This had increased by the autumn of 1923 to 240 employers and 11,200 workers. *Revue du travail*, November, 1923, p. 2316.



which was participated in by 16 establishments, giving employment to 2,200 workers. Then in December came the formation at Liège of what was the largest fund up to that time.<sup>1</sup> Here 83 metallurgical firms, with over 35,000 workmen,<sup>2</sup> joined together to pay the scale of monthly allowances shown in Table XXIV A, which has since been quite widely copied elsewhere. Maternity benefits were also granted.

TABLE XXIV A

	Francs
First child.....	10
Second child.....	20
Third child.....	30
Fourth and subsequent children...	40

This rapid development continued in 1923. In February of that year, a regional fund was formed in Brabant which soon came to include 63 firms, employing between 10,000 and 11,000 workers. The allowances were virtually identical with those of the Liège fund, save that the monthly maximum of 30 francs was reached with the third child. In March two more funds were established. One, comprising 8 stone quarries in and about Soignies, covered 2,000 workers, while the other was created in Antwerp by 6 large metal plants, employing 2,500 men. In May a fund was developed at Charleroi under the direction of the local electrical works, which adopted the scale of the Liège fund. In the same month the Federation of Belgian Coal Mines voted to adopt the system, thus bringing no less than 150,000 more men within the scope of the allowances. The rules adopted called for uniform allowances within each mining district, and the Liège district has already adopted the same scale as that of the metallurgical fund of Liège. No equalization funds, however, have as yet been set

<sup>1</sup> For a description of the Liège fund, see *Industrial and Labour Information*, V, No. 4 (January 26, 1923), 46.

<sup>2</sup> By autumn of 1923, the number of firms had increased to 124 and the employees to 42,700.

upon this industry. Since then, the employers in the glass industry, employing nearly 6,000 men, have also adopted the system.

There are, therefore, no less than eleven such funds in Belgium, while the total number of industrial workers included in the system exceeds 270,000. This is approximately 18 per cent of all the wage-earners in the country, or, if agricultural and home workers are excluded, not far from 30 per cent of those in manufacturing and transportation. The yearly amount paid out in allowances by private firms, including the mining companies, probably ranges between 24,000,000 and 27,000,000 francs. When it is considered that only 5,000 workmen were under the system by the end of 1920 and only 9,000 at the conclusion of the following year, the remarkable growth of the last three years is apparent.

A Central Committee for the Study of Family Allowances has been formed by the funds and is active in research and propaganda. The supporters of the system are very hopeful of its wide adoption, not only in the metal trades, where it is already well established, but also in the textile, chemical, clay, and paper industries, where, as yet, it has scarcely found a foothold.<sup>1</sup>

The Belgian funds almost uniformly fix fourteen as the maximum age beyond which allowances will not be paid. Although, as we have seen, some funds do not pay allowances for the first child, none set a maximum number. The funds generally pay lump-sum maternity benefits as well as children's allowances.

As in France, the allowances are paid to all who have children dependent upon them, and not merely to parents. A worker is generally required to be employed three months by one of the members of the funds,<sup>2</sup> although the Brabant fund requires only

<sup>1</sup> See the analysis by M. Midol at the Third Congress of the *Ligue Nationale des Familles Nombreuses*, as reported in the *Revue du travail*, XXIV (November, 1923), especially 2329-33.

<sup>2</sup> La Caisse de Compensation pour Allocations Familiales de la Région Liégeoise," *Règlement d'ordre intérieur*, p. 2. The national fund for the building trades has recently reduced this period to one month in order to attract the highway contractors, whose labor force generally works for one contractor only for a short time.

one month's service for eligibility. Some plans, of which the four original coal mines which adopted the system and the funds at Tournaisis and Rennaix are the most notable, are very frankly upon a daily basis and grant allowances only for those days when the given employees actually work. Even those plans that are nominally on a monthly basis, upon examination are seen to compute their allowances upon a daily basis. Almost uniformly, allowances are suspended in those cases where the worker is absent without satisfactory cause. Nor, moreover, are allowances paid to workers who have been laid off for lack of work or, unless special exception be made, for those employed on short time. The Brabant and Liège funds, however, continue the allowances for six months in case of absence resulting from illness and industrial accidents.<sup>1</sup>

Special discrimination can be exercised against strikers. Their allowances may be taken away from them not only for the days lost, but for the whole period over which the allowances are paid. This is generally a month, although in the national fund for the building trades it is three months. The power of thus suppressing the allowances gives an added weapon to an employer in the event of an industrial dispute.

The three largest groups, namely, the Liège and the building funds and the coal mines, pay the allowances to the mother, in the belief undoubtedly that she will be more likely than the father to spend the money for the children.

As will have been observed, the Belgian funds are organized on a double basis, namely, by industries and by localities. Three are regional in their scope, namely, those of Antwerp, Charleroi, and Liège, although the latter in practice is largely composed of iron and steel mills and metal plants. It should also be noticed that four of the plans, coal, building and public works, glass, and zinc, copper, etc. are national in scope, although that for the coal-

<sup>1</sup> The fund at Tournaisis continues the allowances in cases of industrial accidents.

mining industry is extremely decentralized in practice. The secretary of the Committee for the Study of Family Allowances has recently favored the formation of local regional funds in preference to national trade bodies, on the ground that uniformity within a locality could thus be secured, which would be virtually impossible where the workmen in a town might belong to a large number of national funds. Local funds, he also points out, would be much easier to administer because of their intimate contact with the employees. He admits, however, that the building and public-works industry, because of the migratory character of the work and workers, is better adapted to a national than to a local form of organization.<sup>1</sup>

The basic rules of the funds are in general broadly drawn and permit a great deal of latitude and discretion to the various administrative councils which supervise the work of the bodies. Commonly, however, the maximum assessment that can be levied against the member establishments is specified. This is fixed at 5 per cent of the pay-roll in the Liège fund<sup>2</sup> and at 3 per cent in the Brabant<sup>3</sup> and building-trades funds.<sup>4</sup> The assessments levied upon all employers are almost uniformly based upon the amount of the pay-roll rather than upon the number of employees or pay-roll hours. The allowances seem universally to be distributed by the employing firms, and the chief function of the funds consists in clearing the balance of debits and credits of specific firms. It is interesting to note that the constitution of several funds<sup>5</sup> specifically authorizes the executive committee to subdivide the funds into autonomous sections should the need arise.

<sup>1</sup> See report of Paul Goldschmidt, *Revue du travail*, XXIV (November, 1923), 2337-38.

<sup>2</sup> *Statuts, Caisse de Compensation pour Allocations Familiales de la Région Liégeoise*, p. 2.

<sup>3</sup> *Statuts, Caisse de Compensation pour Allocations Familiales du Brabant*, p. 5.

<sup>4</sup> *Statuts, Caisse Nationale d'Allocations Familiales et d'Assurances Sociales du Bâtiment et des Travaux Publics*.

<sup>5</sup> Notably Liège, Brabant, and the building trades.

If those members whose employees have only a relatively small number of dependents insist strongly upon it, they can, therefore, as in France, be placed in a financially independent section and thus avoid the burden of helping to meet the allowances granted to the workmen of other employers. Due to the fact that there is a greater uniformity in the industrial composition of the Belgian funds than is the case with many of the French regional funds, this demand has not as yet been pressed to any appreciable extent.

Taken as a whole, the burden upon the employers is not heavy. In the national building fund it must not exceed 3 per cent of the pay-roll, while in the Brabant fund it amounts to 2.5 per cent, some of which may be later returned as a surplus. At Rennaix, where the allowances are low, it has amounted to only .7 per cent. For most of the original coal mines, it was in 1921 only .7 per cent, while at Carabinier, where the rates were somewhat higher, it came to 1.05 per cent to the wages paid.<sup>1</sup> At Wérister, the extra cost amounts to about 2 per cent of the pay-roll.<sup>2</sup> It seems probable, in default of exact statements from all the funds, that the present cost does not average over 2 per cent of the wages bill.

The attitude of the various labor groups to the system has been an interesting evolution. In the early stages of the movement, the unions, particularly those of the socialistic faith, were distinctly hostile. They charged that the allowances were intended to do away with the necessity of a general increase in wages and to make reductions of wages easier in the future. *Le carrier*, the organ of the stone workers, printed a confidential circular which had been sent out by the Federation of Building and Public Works, an employers' association, which gave distinct corroboration to this belief by its specific statement that since the family allowances depended upon the regularity of attendance of the workers, they could be stopped altogether in time of strike. Trade-union action, it was therefore declared, could be defeated

<sup>1</sup> *La démocrate*, May 3, 1922.

<sup>2</sup> On the basis of twenty-five working-days a month.

by the mothers, who would naturally object to having the allowances taken away from them.

The fear that the allowances would result in arousing the jealousy of the single men was pungently expressed in an article in *Le métallurgiste belge*, the organ of the metal workers' union:

Two workmen are, for example, neighbors in a workshop. The one is a bachelor, alert and capable. The other is a married man, father of a large family, who although willing is nevertheless inexpert at his work. The latter will receive a wage much higher than the former. Is this possible under conditions as they actually are? To believe so would be to misunderstand human weaknesses. . . . What then of the moral side of the question? The employers present this aspect as though it were they who really grant the allowances to the fathers of families. As a matter of fact, however, they pay nothing, and it is the unmarried who really bear the expense. . . . The family wage has, then, for its principal object the division of the workers.<sup>1</sup>

Even the Catholic trade unions, which have been distinctly favorable to the system in France, were on the whole suspicious at first of the plans that were being adopted by the employers. In 1921 the Confederation of Christian (Catholic) Unions passed a resolution declaring that (1) all work done by an adult male worker should be paid at a rate at least sufficient for the maintenance of the average family, i.e., of five persons; (2) family allowances should be paid when the number of children exceeds the average.<sup>2</sup> In other words, the allowances should not be given to families with three or less children, who should be supported by the wage of the head of the family and not by a special allowance. The Catholic body later issued a circular to its members urging that they should not permit allowances to be substituted for a uniform living wage for all. Finally it was suggested that the Catholic unions themselves might form a national fund to grant allowances on behalf of the children of large families. At the Sixth Congress of the Catholic trade unions, in 1923, the main

<sup>1</sup> *Le métallurgiste belge*, January, 1922, quoted in Bondas, *Le sursalaire et les allocations familiales*, p. 24.

<sup>2</sup> *La revue du travail* January, 1923, p. 54.

features of this position were upheld with the addition of several further points. While it was declared that allowances should preferably be given only to families exceeding the average, small payments for the first children and much larger for those in excess of the average number would not be inconsistent with this principle. All allowances should be paid through clearing funds, which should be instituted in each industry and should be subsidized by the state. These funds should be administered jointly by employers and workers. A committee was directed to prepare the draft of such a measure.<sup>1</sup>

In 1924 this Confederation established an equalization fund for the payment of family allowances to its members. So far as is known, this is the only fund in the world which is administered by trade unions for this purpose. All the affiliated unions must pay to the national organization an annual assessment of 275 francs for each of their members. No allowances are paid for the first two children, but beginning with the third, a grant of 500 francs a year is made until the child reaches the age of sixteen years. This is paid monthly through the mails by means of postal checks. A birth bonus of 200 francs is also paid for each child, irrespective of whether it is a first or second or a later child. Other Catholic workers' organizations, such as co-operative and mutual-aid societies, have the right to affiliate.<sup>2</sup>

The rapid spread of the system in the latter part of 1922 led the socialist trade-union body, the Confédération Générale du Travail, to instruct one of its secretaries, Joseph Bondas, to investigate the problem and report to them. His report, *Le sursalaire et les allocations familiales*,<sup>3</sup> was so influential in leading to a change of emphasis upon the part of the labor forces that it deserves some attention. He declared:

<sup>1</sup> *La revue du travail*, XXIV (April, 1923), pp. 672-73.

<sup>2</sup> See *Studies and Reports of the International Labor Office*, Series D, No. 13, *Family Allowances*, p. 84.

<sup>3</sup> Published as No. 2 in "Les cahiers de la Commission Syndicales," Rue Joseph-Stevens 8, Brussels.

In the shop, in the coal mine, before the employer, all the workers, whether they be unmarried, married but without children, or the fathers of large families, ought to be equal, that is to say, they should receive their pay according to their quality as producers. In the shop, we ought not to permit any exception to the well-established rule of "equal pay, equal work"—but outside of all the exploitation, it is the essentially socialistic principle of "to each according to his needs" which ought to guide us, and this interpretation should make clear our duty and our line of conduct.

Those who have numerous children assist society. What is more just than that society should intervene in behalf of them?

The support of large families, in brief, should be included in the system of social insurance, and we should thus secure the financial assistance of all classes of citizens.<sup>1</sup>

M. Bondas went on to show that various leaders of the Belgian labor movement had indorsed the principle of allowances to those workers who had dependents.

But we believe that this should not be left to the initiative of the employer, and the necessary subventions ought to be assured through the general system of social insurance. . . . In this manner, the producer having family dependents, whether they be children or parents, would be assured of a part of their support; a protection secured as a fresh right and which would not be withdrawn at the pleasure of the employer. In our belief the workers of both sexes ought to be subject to the same obligations—whether it be a percentage taken from the wage or an assessment levied according to the age of those interested.

We are convinced that a system of this character . . . would remove all the objections of our comrades against family allowances which today appear as instruments of warfare on the part of the employing class.

The National Committee of the Trade Union Congress (*Comité National de la Commission Syndicale*) met to consider the Bondas report on February 6, 1923. After a lengthy discussion, during which M. Delsinne opposed the recommendations of the report, a resolution was passed which put the body in favor of the principles in the following terms:

Bearing in mind above all things that the essentially socialistic doctrine "to each according to his needs" has always been advanced by the Belgian trade-union movement. . . .

<sup>1</sup> Bondas, *op. cit.*, p. 26.



The Committee recognizes that assistance to large families is necessary and even indispensable in the interest of the proletariat. But it does not intend to be duped by the end which the employing class is seeking, which has nothing philanthropic in it and which seeks only the enslavement of the workers, not only in the workshops, but even in the homes of the exploited. . . . The National Committee believes that family allowances as well as birth and nursing bonuses are social services which the community ought to organize in the same fashion as insurance against involuntary unemployment, work accidents, illness, invalidity and old age. It claims these allowances as an inalienable social right, entirely independent of work and wages.

The Committee then called upon all its affiliated organizations to accept the principles which have been set out in this resolution and to give instructions to their delegates to decide definitely at the next Trade Union Congress.<sup>1</sup>

The National Congress of Belgian Miners, which met during the following month, debated the question at length. It was recognized that the system was growing rapidly and that unless the workers presented a constructive program, the employers would introduce it upon their own terms. A discussion then ensued on the question whether the miners' union should try to establish family allowances and the attendant conditions by means of a collective agreement with the employers or through state legislation for that purpose. The sentiment was unanimous in favor of the principle of family allowances, but all were insistent that they should be regarded as a right and not as a gift, and that they should not be used to break up strikes. The following resolution was then adopted:

The National Federation of Belgian Miners at its National Congress . . . deciding on the question of family allowances, considers

That the indemnification of workers who are fathers of families is legitimate and proper,

That this indemnification has already been established empirically by eight coal-mining companies in the country,

That this organization creates inequalities while diminishing the liberty of the workers in their relations with their employers,

<sup>1</sup> See *Le mouvement syndical belge*, February 17, 1923, p. 51.

Therefore [the National Federation] decides,

1. To demand a law which will organize family allowances of all the workers on a national scale.
2. Meanwhile to charge its delegates to the National Mixed Mining Commission to approach the employers for the purpose of generalizing and regulating family allowances by a national agreement.<sup>1</sup>

Numerous other national unions, including the powerful Metal Workers' Union and the Building Union,<sup>2</sup> subsequently indorsed the principles laid down by the National Committee in its February resolution, and at the annual Trade Union Congress on July 27 and 28, the resolution was approved almost unanimously.<sup>3</sup> The executives of the movement were ordered "to get into touch with the Socialist parliamentary group to examine the best methods of putting into practice the principle of legislation for the payment of family allowances."

The system of allowances proposed by the owners for all the coal mines of the country aroused much interest among the ranks of both the socialist and Catholic miners' unions. Both groups prepared plans which aimed to prevent the employers from securing that sole control over the system which they were seeking.

The full details of the plan drawn up by the socialistic Miners' Union have not been made public, but it apparently calls for an assessment per ton of coal mined which would be paid into a national clearing fund to be administered jointly by workers and employers.<sup>4</sup>

The plan presented by the Free Christian Miners to the National Mixed Mining Commission is also of interest in showing the attitude of the workers. This project called for a national fund for the industry as a whole, to be administered by a joint

<sup>1</sup> *L'ouvrier mineur*, April 20, 1923.

<sup>2</sup> "Congrès de la centrale du bâtiment de l'ameublement et des industries diverses," *La revue du travail*, XXIV (June, 1923), 1110-11.

<sup>3</sup> "12th Congrès de la Commission Syndicale," *La revue du travail*, XXIV (August, 1923), 1553-54.

<sup>4</sup> *La revue du travail*, XXIV (June, 1923), 1125-27.

council of sixteen, one-half of whom were to represent the employers and one-half the workmen. The workers were to be given an increase in wages of a stated amount to be fixed by the council of the fund, which they agreed to pay into the national clearing fund, The employers were in turn to make an equal contribution. All workers who were heads of families<sup>2</sup> and who had been employed for at least three consecutive months were eligible to receive allowances in behalf of children under fourteen. The amounts of the daily allowances were proposed on the basis of the cost-of-living index equaling 100 (see Table XXV).

TABLE XXV

Child	Centimes per day
First.....	15
Second.....	20
Third.....	30
Fourth.....	40

These amounts were to be adjusted according to the relative index of the cost of living. Thus in June, when the index was 116.6 on a 1921 base, each of these sums (if 1921 were taken as the base) was to be multiplied by 1.166. A maternity benefit of 200 francs was also to be provided. All allowances were to be paid by postal check to the beneficiary from the national clearing fund, and were not to be distributed by the respective employers.

As in France, the trade-union forces are now distinctly in favor of a system of family allowances. They indeed want to universalize it so that all the workers may have the benefit of it. They are, however, insistent that the system shall not be used to strengthen the employers' bargaining position at the expense of their own, and demand that the granting of the allowances be made a legal right, in order to prevent the employer from acquiring merit as a philanthropist in the eyes of his workers. They would prefer to have the state set up a system of allowances and

<sup>2</sup> Also if they chanced to be either an elder son or daughter employed in the coal-mining industry.

clearing funds through which state subsidies would be granted to the various funds. They would not be content with simply a voluntary subsidized system along the lines of the Ghent plan of unemployment insurance, but the socialistic groups at least would wish to have the central government compel all employers and workers to belong to some fund.

Failing to secure such a law, or pending its adoption, the unions apparently are ready to concentrate their efforts at bringing family allowances within the scope of their joint agreements and of securing joint control of the clearing fund.

The employers meanwhile are rallying to oppose both these changes. They declare that the system has developed so well under private initiative that no change should be made. Like the French employers, they declare that for the state to give the allowances to the worker as a right would be to destroy the good feeling which has been built up between employer and employee, and they argue that state administration would necessarily be cumbersome and expensive.<sup>1</sup>

<sup>1</sup> See the report by Paul Goldschmidt, secretary of the Comité d'Études des Allocations Familiales, *Revue du travail*, XXIV (November, 1923), especially 2342-44.

## CHAPTER VIII

### FAMILY ALLOWANCES IN GERMANY

The German government, before the war, gave special allowances to those of its officials who had dependent children. Save in a few semi-monopolistic industries, such as the Zeiss Optical Works, these were not extended, however, to private employment, despite the arguments of some militaristic political scientists who wished to stimulate population growth and thus provide a larger army. During the war, family allowances were indeed paid quite widely to the workers in private industry, but with the November Revolution of 1918, the trade unions, who had always been opposed to such allowances, succeeded in abolishing the practice.

Prices rose rapidly in 1919, and many employers tried to re-introduce the system and were successful in a large number of cases. In 1920 it was introduced into all branches of governmental employment. With the continual increase in prices and the depreciation of the mark, the family wage system (the *Familienlohn* or *Soziallohn*) was adopted by many other industries. While the initiative for its adoption has primarily come from the employers, it has been put into effect neither by their fiat nor by the order of the government, but through the collective agreements with the unions by which the wages and working conditions in German industries are chiefly regulated.

By 1923 the system had so established itself that family allowances were not only paid by the government to all its eligible employees and officials, including those on the state railways, but were almost universally the custom in the mining, metal, chemical, textile, pulp, paper, and cellulose industries as well.<sup>1</sup> It had permeated approximately half of each of the following industries:

<sup>1</sup> "Der Familienlohn in den Tarifverträgen," *Reich-Arbeitsblatt*, January, 1923.

stone, clay and glass, printing, commerce, transportation (other than railroads), sugar, dairying, slaughtering, and baking. On the other hand, it has scarcely found a foothold in the clothing, shoe-making, leather, building, wood-working, brewing, milling, and tobacco trades.

The governmental allowances to civil servants and officials are paid for the wife and each dependent child of less than twenty-one years. The children are divided into three age groups, namely, those under six years, those from six to fourteen, and those between fourteen and twenty-one, and higher rates are granted to the older groups. Such allowances as are given, however, are uniform for all grades of officials without regard to rank or salary. The age limit for the manual employees of the government, including those on the state railways, is fourteen years, and the sums paid are uniform for all without regard to the age of the children or the wages of their parents.

The allowances which are granted in private employment take either the form of: (1) a higher wage rate for the married than for the single workmen, under which all married families generally fare alike, and those with many children receive no more than the childless couple; (2) a uniform wage for both the married and the single worker, but augmented by supplementary allowances to the former which vary according to the number dependent upon him for support. These allowances in turn are generally of two kinds, namely, those for the wife or for the household (*Hausstandsgeld* or *Frauengeld*) and those for the children (*Kindergeld*). These two are frequently combined, although sometimes the latter stands alone.

Due to the catastrophic depreciation of the mark in 1922 and 1923, it would be meaningless to quote the amount of these allowances in terms of money. Probably the most effective means of indicating their amount is to show by how much the incomes of the married men have been increased by them, as is done in Table XXVI.

It will be observed from this table that the allowances are much greater in proportion to the basic wage or salary in government service than in private employ. The average married unskilled worker in state employ receives 30 per cent more than his unmarried confrère, while a married official of the lowest grade receives no less than 36 per cent more. The differential in the

TABLE XXVI

RELATIVE AMOUNT OF FAMILY ALLOWANCES IN VARIOUS GERMAN INDUSTRIES  
IN APRIL, 1923

Industry	Married Workers' Wage (Plus Allow- ances) as Compared with That of Unmarried (Un- married = 100)	Industry	Married Workers' Wage (Plus Allow- ances) as Compared with That of Unmarried (Un- married = 100)
Coal mining		Chemical industry— <i>Cont.</i>	
Hewers and drawers...	111	Process men.....	105
Other underground workers.....	112	Unskilled workers....	105
Surface workers.....	113	Printing industry	
Metal industry		Hand compositors....	104
Skilled workers.....	107	Helpers.....	104
Semi-skilled workers...	108	Workers in state employ	
Unskilled workers....	108	Skilled.....	122
State officials		Semi-skilled.....	123
High grade.....	116	Unskilled.....	130
Intermediate grade....	122	Bank employees*	
Low grade.....	136	High-grade officials...	113
Chemical industry		Lower-grade officials..	114
Artisans.....	103	Assistants.....	115

\* As of January, 1923.

chemical and printing industries, on the other hand, was only 5 and 4 per cent respectively, the differential for bank employees was approximately 15 per cent, for coal mines 13 per cent, and in the metal industry 8 per cent. It should be remembered that these are merely the average differentials for the married employees as a whole. Since they include those who have either no children or but one or two, they do not fully indicate the relative amount which the larger families receive. In the coal mines of the Ruhr, a man with a wife and three dependent children receives approxi-

mately 16 per cent more than a single man, while in the Berlin metal industry he receives approximately 40 per cent more.

The granting of these family allowances has beyond doubt made it more possible for the working-class families to survive the great reduction in real wages which they have experienced since the armistice. Measured in terms of the purchasing power of a full week's work in 1913 as 100, the real wages at full-time employment of the German industrial workmen in 1923 were as shown in Table XXVII. After making allowances for the month-to-month fluctuations, it appears that the real wages of the skilled workers fell by the end of 1923 to slightly over half the pre-war figure, and those of unskilled labor to about 70 per cent. The real income of civil servants seems to have decreased at this time to approximately 53 per cent of the pre-war amount.<sup>1</sup>

TABLE XXVII  
PURCHASING POWER OF FULL-TIME WEEKLY EARNINGS  
OF GERMAN WORKMEN IN 1923 (1913=100)

Month	Skilled Workers	Unskilled Workers
January.....	49	64
April.....	74	96
July.....	48	62
September.....	61	78
October.....	52	65
November.....	53	66

\* *Labour Gazette*, February, 1924, pp. 45-46, quoting data given in *Wirtschaft und Statistik* for January, 1924.

The suffering caused by this decline has, of course, been incalculable, but the situation would have been far worse had it not been mitigated by the supplementary assistance accorded in the form of family allowances to those groups that needed assistance the most.

The allowances are generally paid for children below the age

<sup>1</sup> E. Boehler, "Present Economic Situation of the German Student Body," *Monthly Labor Review*, February, 1924, p. 11.



of fourteen years, but this is extended in a number of industries to seventeen years or beyond if the child is continuing his education, whether in school or as an apprentice. They are generally paid for each day worked, but are not given for days which the worker loses because of strikes, voluntary abstention from work, etc. Short time is an important factor in Germany because of the compulsory sharing-of-work law which was passed by the Reichstag. Typically, the usual allowance is based on the number of hours actually worked during the day. The textile industry of the right bank of the Rhine, however, went so far in May, 1922, as actually to double the allowances where the working week was reduced through short time to less than thirty-three hours.

Although the family-allowance system is as widely practised in Germany as in France, there is a striking contrast as regards the relative number of equalization funds. According to the latest accounts, there were by the end of 1923 only eight funds in actual operation, namely, (1) those established by collective agreement in the pharmaceutical industry, the Berlin metal trades, and the textile industry of Berg; (2) those established independently by the employers in the cement industry in the Rhenish-Westphalia district, the textile trades of Thuringia, the electrical industry of Saxony, the chemical industry of Cologne, and that for the clerical and salaried workers in the metal trades of Anhalt. The porcelain industry of Saxony started such a fund in 1920 but abandoned it after a short trial, while several collective agreements in the textile industry have called for the creation of such funds, which, however, in practice have not been set up.

The relative paucity of equalization funds in Germany as compared with France seems at first sight particularly puzzling in view of the well-known German fondness for organization. The explanation lies in the fact that there was little unemployment in Germany up to the latter half of 1923. The inflation of the currency and the continuous increase in prices was accompanied by a slower increase in material and labor costs. The expanding

profit margins therefore made business extremely lucrative to the industrialists and inclined them to run their plants at full capacity. Despite frequent suggestions which were made by contributors to *Sociale Praxis* that equalization funds be established to protect the married men from discharge, in the face of such business activity there seemed to be no immediate danger of laying off men and little necessity for the creation of such funds. The fact that the allowances were almost universally provided for in collective agreements with the unions and covered all the competitors within a district, moreover, removed one of the causes which had operated toward the formation of funds in France. There trade-union organization was weak and the employers were compelled to take joint action to universalize the allowances. This desire for uniformity, as well as that for equalization, was therefore a potent cause for the creation of the French funds.

The most important of the funds is that of the Berlin metal industry, which was established in 1920 and which includes about 240,000 workmen. This fund, which is the largest in Europe, was undoubtedly founded because of the fact that the relatively large allowances which were granted made it necessary to take all possible steps to protect the married workers against discrimination. All the funds are local or district bodies, save that for the pharmacists, which, uniquely enough, is nation wide. The pharmacists' fund and the textile fund at Berg are supervised by joint boards representing both workmen and employers. In the Berlin fund, however, as well as in those set up exclusively by the management, the administration is entirely in the hands of the employers. The two methods of computing the employers' assessment are according to the number of employed and according to the total paid out in wages. The funds for the pharmacists, for the cement workers in Rhenish-Westphalia, and for the Anhalt metal industry use the former, while the remainder employ the latter. As has been pointed out previously, the second method weighs much more lightly upon those particular establishments which have more

than the average amount of short time. The Berlin and Berg funds levy a lower assessment upon the female workers than upon the males, while the latter also makes a distinction between the manual and the clerical and supervisory staff.

Special allowances are also widely granted to agricultural workers. Those who live on the estates are generally paid allowances in kind which are proportioned according to the size of the family, while the married "independent" laborers, who live off the estates, are paid more wages than single men in the same class.<sup>1</sup>

An animated discussion has been waged over the system both by economists and by employers and workers. Dr. Kulemann, of Brunswick, in a much-discussed article which appeared in *Soziale Praxis*<sup>2</sup> in 1921, declared that the father of a family should receive more than a single man, and attacked the situation whereby the unmarried workmen as well as the profiteers were privileged to enjoy luxuries, while working-class families were in grave want. To protect the married men from discharge, as well as to prevent any individual employer from suffering through competition, Dr. Kulemann suggested that a minimum ratio of married workers be established below which no plant could fall. This, he admitted, however, was too clumsy a method, and he consequently advocated equalization funds as a better alternative. These, however, in his opinion, should be industry-wide and not mere local bodies. State legislation or preferably action by the employers' associations were suggested as the two most useful ways of universalizing the system.

This article provoked a lively discussion. Herr von Holzer-Ritter<sup>3</sup> opposed reducing the wages of the single men and urged instead that the employers should be compelled to impound two-

<sup>1</sup> For a description of the family wage system in agriculture, see "Der Familienlohn in den landwirtschaftlichen Tarifverträgen," *Reich-Arbeitsblatt*, No. 4, February 16, 1923.

<sup>2</sup> "Zur Reform des Entlohnungsystems," *Soziale Praxis*, XXX, 414-16.

<sup>3</sup> "Berufskassen," *ibid.*, pp. 825-27.

thirds of their profits in order to aid the failing and to protect those workmen with families. Dr. Kulemann in reply<sup>1</sup> protested that his purpose was not to restrict the proportion of the products of industry which labor was to receive, but rather to demand that the married men should not be discriminated against in favor of the single men in the distribution of whatever that share happened to be. Some time later, Herr Brauer, of Hamburg, pointed out<sup>2</sup> some of the difficulties of classification which any system of voluntary funds would entail, and urged the necessity of a state-supported system in order to provide for self-employed persons.

In the main, the system has been favored by the employers. Herr Voight, a representative of the personnel division of Schott and Company, of Jena, indicated some of the motives which have influenced the employers, when he stated that under the system of family allowances it would "probably be practical to continue paying wages as before but to withdraw from each wage an equal amount as an assessment for the children's allowance."<sup>3</sup> The employers have undoubtedly welcomed the system because it enabled them to improve the condition of the married workmen at the expense in whole or in part of the single men.

The "free" or socialistic trade unions are in the main quite strongly opposed to the method. Herr Leipart, the successor to Karl Legien as head of the National Federation of German Trade Unions, in an article in *Korrespondenzblatt* has opposed reducing the wage of the single men on the ground that they should be given enough to provide for marriage and to meet their needs for education and recreation. As a substitute, he proposed that the state should grant subsidies to those with families in the form of lower taxes and free meals, free clothing, and free milk for the children, together with an extension of the free public-school system. A

<sup>1</sup> "Zur Frage des Soziallohns," *ibid.*, pp. 926-28.

<sup>2</sup> "Die Schwierigkeiten der Durchführung des Soziallohns in der Praxis," *ibid.*, XXXI (1922), 1234-38.

<sup>3</sup> "Kinderzulagen für Arbeiter und Angestellte," *ibid.*, XXIX (1920), 653.

number of other trade-union leaders have used similar arguments, while others have charged that the plan was intended to further the interest of the married workers, not in the basic wage, but in the amount of the allowances. Dr. Kulemann has in turn attacked the position of the trade unions and has charged that it is the fear of the single men in the unions that has led the leaders to oppose the idea.

The Christian or Catholic trade unions, on the other hand, have favored the system, as was witnessed by a resolution passed at their annual congress in 1920, which declared that wages should be proportioned according to need.

## CHAPTER IX

### THE FAMILY ALLOWANCE SYSTEM IN AUSTRIA AND CZECHO-SLOVAKIA

#### I. AUSTRIA<sup>1</sup>

The Austrian experience with family allowances is particularly noteworthy, both because the first equalization fund of which we have record was started there, and because it is the only country that thus far has made the payment of family allowances and the creation of funds compulsory upon industry as a whole.

The pioneer fund was that founded by the Austrian pharmacists in 1908, who provided in that year that the druggists throughout the country should pay per capita assessments into a central fund, from which in turn their employees were to be paid allowances according to their length of service and to the relative local increase in the cost of living. This experiment was, however, little noticed at the time and did not exert any appreciable influence upon Austrian industry as a whole.

During the war, family allowances were introduced in the mining industry for both wives and children. Later, however, those for the former were discontinued and those for the children only were maintained. Beginning in 1916, the system was applied to government officials, and by 1918 no less than eight such classes had been created, with allowances varying according to the number of dependents. These have been continued and developed. At the end of 1923, 42,200 of the 120,000 who were eligible were being paid the special governmental allowances on behalf of 77,500 children. The employees of the state railways are not included in

<sup>1</sup> I am indebted to Dr. Hawelda, of the Austrian Ministry of Social Affairs, for valuable material covering state legislation and industrial practices on the subject of family allowances.

these statistics, and they receive allowances also. The children's allowances were uniform, amounting to 50,000 kronen per month, regardless of the salary of the official. The proportion which they formed of the stipend of the various classes of governmental employees was as shown in Table XXVIII.

TABLE XXVIII  
RELATIVE IMPORTANCE OF FAMILY ALLOWANCES  
TO THE EMPLOYEES OF THE AUSTRIAN  
GOVERNMENT

Class of Officials	Basic Salary (in Millions of Kronen)	Percentage Which Allowance Formed of Basic Salary
5 .....	1. 1	4. 5
10 .....	1. 2	4. 1
15 .....	1. 5	3. 3
19 .....	2. 7	1. 9

By far the most important development, however, has been the action of the government in making such a system obligatory upon most branches of private industry.

Shortly after the armistice, the Austrian government began paying food subsidies on a small scale, in order to reduce the retail prices of flour and fats. The amount of these subsidies steadily increased with the growing economic disorganization of Austria, and in their turn, by necessitating the issue of more paper money, weakened the financial and economic condition of the country. By the end of 1921, the annual rate of expenditure for these purposes had risen to the enormous sum of 200,000,000,000 paper kronen.<sup>1</sup>

The government finally felt compelled to terminate the subsidies, and beginning in January, 1922, they were gradually abolished, until by June of that year they had been completely removed. The wages and salaries, however, which were paid at this time, particularly those received by heads of families, were

<sup>1</sup> *Industrial and Labour Information*, League of Nations, I (1922), 573, and subsequent issues.

grossly inadequate to meet the increased cost of foodstuffs. The only solution seemed to be to make industry bear the burden which the state had been compelled to lay down.

The government, therefore, in its food-discontinuance law of December 21, 1921, provided a very interesting substitute.<sup>1</sup> All employers were compelled to pay to the workman, both for himself and for his wife and dependent children, a sum adjudged equal to the increase in the price of flour and fats caused by the removal of the food subsidies. This applied to state as well as to private employees. The allowances were to be paid for children up to the age of fifteen years or to their graduation from the public schools. The fixation of the amounts of these allowances was placed in charge of a commission of twelve members which represented the employers and the workmen in equal proportions and which had representatives of the federal government acting in an advisory capacity.

The government realized that if discrimination against those with dependents was to be avoided, the cost of the allowances must be equalized among the employers. The act provided, therefore, that the commission should levy an assessment upon the various establishments, which should constitute their liability. This assessment was to consist in the beginning of 1.3 times the number of workmen in the given enterprise, multiplied by the amount of the allowance. Thus, if a firm employed 100 men and if the weekly amount of the allowance were 500 kronen, his total assessment would be  $100 \times 1.3 \times 500 \text{ kronen} = 65,000 \text{ kronen}$ . This somewhat unique method of computation is at bottom merely a variant of the per capita method of assessment, since the employers make their contribution according to the number of men they employ. The factor 1.3 was apparently used because of the belief that there were on the average this number of dependents for every employed person. The commission was, however,

<sup>1</sup> For the text of this law and the administrative orders issued in connection with it, see *Ämliche Nachrichten des Österreich. Bundesministeriums für soziale Verwaltung*, III, No. 24 (December 31, 1921), 647-67.



given the power to increase or decrease this factor to the degree needed to make the fund solvent.

The allowances were to be paid out by the individual employers to their workmen. If they paid out more in the form of allowances than their assessed share, they were to be reimbursed for the excess; if, on the other hand, they did not disburse as much, they were to pay the difference into the fund.

The clearing of these balances was placed in the hands of the various industrial district commissions. These had been created many years before to administer the compulsory health-insurance law, and in 1920 had been charged with the carrying out of the unemployment-insurance law. They are composed of an equal number of representatives of the employers and workers, who are nominated after consultation with the various organizations on each side, by the provincial governments. Each commission has supervision over a district, the area of which is determined by the Department of Social Welfare and the provincial governments, and which in practice has always been fairly compact.<sup>1</sup>

Public and charitable bodies of course were not compelled to belong to these equalization funds.

The central commission, in January, 1922, fixed the first amount of the allowances, which were gradually increased from month to month as the food subsidies were removed. The weekly amounts of these allowances for the first six months of that year were as shown in Table XXIX. It will be noticed from this that the increase in the amount of the allowances granted was much greater in the case of those who were not working under a collective bargain than for those who were. The allowances were then unfortunately not changed during the remainder of 1922 and during 1923, despite the great increase in prices during the former year.

An amendment to the food-discontinuance law was passed

<sup>1</sup> For a description of the administration of the health-insurance funds, see *Twenty-Fourth Annual Report, U.S. Commissioner of Labor*, 1909, I, 237-38.

during the latter part of June, 1922, which modified some of the details and clarified some of the administrative procedure.<sup>1</sup> Employers in the fields of agriculture and forestry, as well as all those who paid their workmen largely in kind, were to pay out the allowances directly without recourse to the equalization funds. Surpluses of the various funds superintended by the industrial district commissions were to be turned over to the central administrative commission, which was also to meet any local deficits.

TABLE XXIX\*  
AMOUNT OF WEEKLY ALLOWANCES IN 1922

Period	Amount under Collective Agreements (in Kronen)	Amount Not under Collective Agreements (in Kronen)
January 8–February 26...	325	325
February 27–March 31...	375	490
April 1–June 6.....	425	644
June 6.....	475	1,155

\* *International Labour Review*, III, 297.

In the fall of 1923, the government introduced a bill that aimed to put the system upon a different footing.<sup>2</sup> The children's allowances were to be removed from governmental supervision and administration. They were to be paid in all cases where a collective agreement existed between employers and the workers, but apparently not in others. The amount of these allowances was to be determined, not by one commission under governmental direction, but by the agreements in specific trades and industries between the two parties. Equalization funds were to be set up under the various agreements and were to be administered by commissions representing both employers and employees. The

<sup>1</sup> See *Ämtliche Nachrichten des Österreich. Bundesministerium für soziale Verwaltung*, IV, No. 6 (June 30, 1922), 220–22.

<sup>2</sup> See *Bundesgesetz über die Gewährung von Kinderzulagen an Arbeitnehmer*, Vorlage der Bundesregierung, 4 pp.

former district funds were to be dissolved and any surplus that remained was to be devoted to juvenile-welfare purposes. The district industrial commissions and their local offices were to give up all direction over the equalization of the allowances and to confine themselves solely to the administration of the sickness- and unemployment-insurance laws.

The government declared that this bill was an experimental step to determine whether a universal, state-regulated system of children's allowances was desirable. The proposal, however, aroused a considerable amount of opposition on the ground that it made no provision for the families of workers in unorganized industries who did not have collective agreements with their employers. According to the most recent information the bill has not yet been enacted, and the system created by the law removing the food subsidies therefore still continues in effect.

In addition to the children's allowances required by law, there is a fairly wide tendency to pay higher wages to married men with dependents than to others. As has been seen, this is true of the governmental service, and a number of collective agreements in private industry make similar provisions. The mining industry, for example, employing some 33,000 men, almost universally grants allowances which, in some cases, amount to 1,000 kronen per shift for each child,<sup>1</sup> while in some others<sup>2</sup> a household allowance of 10,000 kronen per shift is granted. The general industrial employees of Vienna, numbering approximately 48,000, and the workers in the chemical industry, to the number of 44,000, also receive family allowances. In the former case, a man receives a 12.5 per cent addition to his wage for a wife and an additional 2.5 per cent for every dependent child of less than sixteen years. The Austrian plans, together with those of Germany, are unique in that they commonly provide allowances for the wives as well as for the children.

<sup>1</sup> The agreement for Styria.

<sup>2</sup> The agreement with the Harte Kohlenwerke Corporation.

## II. CZECHO-SLOVAKIA

Prior to the war, married officials in Bohemia, which was then a part of the Austrian state, were given extra allowances to help them support their families. Such differentials were increased still further during the war. During these years, in imitation of the separation allowances to families of men in military service, similar payments were also extended to employees in factories providing war materials.

TABLE XXX  
RELATIVE TOTAL SALARIES OF EMPLOYEES AND OFFICIALS OF THE  
CZECHO-SLOVAK GOVERNMENT IN 1923, ACCORDING TO THE  
NUMBER DEPENDENT UPON THEM FOR SUPPORT

Family Status	Class XI Relative Salary (Single Man's Annual Salary of 9,768 Kronen = 100)	Class V Relative Salary (Single Man's Annual Salary of 29,035 Kronen = 100)
Single . . . . .	100	100
Married but no children . . . . .	119	120
Married with one child . . . . .	142	130
Married with two children . . . . .	148	133
Married with three children . . . . .	171	142
Married with four children . . . . .	177	145
Married with five children . . . . .	200	154
Married with six or more children . . . . .	206	157

The original provisions for governmental employees and officials were successively modified to provide greater protection for large families. The size of the family allowances was increased for a time, but in 1923 was reduced by 20 per cent. In one form or another, however, they are still paid to slightly over 352,000 governmental employees, including those on the state-owned railways, who have 602,000 persons, or approximately 1.71 per worker, dependent upon them for support. The appreciable amount which these allowances add to the basic salaries is shown by Table XXX, which gives the relative amounts received during the latter part of 1923, both by the poorest- and by one of the best-paid classes of governmental employees.

From this it will be noticed that the scale of allowances is proportionately much greater for the low-paid than for the better-paid employees, the maximum increase for the latter being 57 per cent, as compared with 106 per cent for the former. The sums allotted are truly considerable; the married employee in Class XI, with three dependent children, receives 71 per cent more than his unmarried confrère, while such an employee in Class V receives 42 per cent more.

The allowances are granted to male employees for dependent daughters up to the age of twenty-four, and for sons up to twenty-one years. Women workers, however, are not entitled, save in special cases, to any allowances for dependent children. Single men who actually have adult relatives to support may be given an allowance equivalent to that accorded for children, if the head of their department gives his approval. A number of family allowances, including grants for housing and for other purposes, are made to the local government officials of the state under approximately the same conditions as those for the employees of the central government.

The various banks and insurance companies, together with the distilling and sugar industries, also uniformly grant allowances to officials in their employ.

The payment of family allowances to the rank and file of the industrial workers, which, as has been mentioned, became almost universal during the war, has been almost invariably continued by collective agreements between the trade unions and the employers, and has taken a number of different forms, of which the most important are: (1) a flat addition to the hourly wage of married workmen, with no differentiation according to the number of children dependent upon them for support; (2) direct contributions of so much per hour for a wife and for each child, up to fourteen years of age; (3) wages per hour graduated according to the age of the worker plus a cost-of-living bonus, which varies with the number of children as well as the age of the worker; (4)

special bonuses which take cognizance of varying family needs, such as those for clothing, equipment, food, etc.

Table XXXI shows the extent to which the allowance system was used in Czecho-Slovakian industry in 1920 and the relative percentage which the allowances formed of the basic wage. All these allowances were regulated by collective agreements between the workers and employers.

TABLE XXXI  
THE EXTENT AND IMPORTANCE OF THE FAMILY ALLOWANCE SYSTEM  
IN CZECHO-SLOVAKIAN INDUSTRY IN 1920

INDUSTRY	NUMBER OF EMPLOYEES COVERED BY AGREEMENTS PROVIDING FAMILY ALLOWANCES (IN THOUSANDS)	PERCENTAGE OF EMPLOYEES IN INDUSTRY COVERED BY FAMILY ALLOWANCE AGREEMENTS	MOST FREQUENT AMOUNT OF ALLOWANCES (IN PERCENTAGES OF WAGE)	
			For Wives	For Children
Mining.....	136.2	100	*	*
Stone, clay, and glass....	12.6	10	1	2.0
Metal-working.....	82.3	43	2	1.3
Machine-manufacturing..	.8	.1	4	1.3
Leather.....	.4	2	.....	2.1
Textiles.....	27.8	11	.....	4.0
Clothing.....	6.9	4	.....	1.9
Foodstuffs.....	3.5	3	4.6	2.3
Chemical industry.....	3.2	12	3.7	1.9

\* The proportion which the allowance formed of the wage in mining is difficult to compute. Probably it was somewhere around 2 per cent for the wife and 1.5 per cent for the child.

There were thus 274,000 industrial workers who came under the scope of the allowance agreements. The machine-manufacturing, leather, textile, stone and glass, and clothing industries discontinued the payment of allowances in 1921, leaving something over 200,000 employees in those industries which continued to maintain them. Even here, however, they were reduced in amount below their former figure.

In the discussion over the system which has been carried on, the only answer that has been made to the argument that the married worker would be thrown out of employment has been

that this could be prevented by providing that the extra subsidy should be paid by the government. Even the idea of equalization funds seems to have been unknown.

Allowances in kind are also generally given to agricultural workers, particularly to those who are under the so-called deputatist system and who live on the estates where they work.

## CHAPTER X

### THE FAMILY ALLOWANCE SYSTEM IN OTHER EUROPEAN COUNTRIES

#### I. THE NETHERLANDS

Children's allowances were first paid by the central government of the Netherlands in 1912, when they were granted to postal employees.<sup>1</sup> They were later extended to teachers and in 1920 were applied to all members of the staff of civil servants. The allowances are paid for all children of less than eighteen years, and in 1921 amounted for each child to 2.5 per cent of the gross salary of the father.<sup>2</sup> The amounts paid out must not be less than 50 gulden annually per child, however, nor exceed 200 gulden. Married workmen who are paid on a weekly and not a yearly basis receive 1 gulden per child per week. By a government order, the same scale has been applied to all railway employees, save only that the allowances begin with the third and not with the first child. In both these cases, the allowances were granted in the face of the opposition of the organized workers as well as of the Democratic and Socialistic parties in Parliament. These groups believed that the allowances were merely a device to enable the government to avoid increasing salaries by the amount which would otherwise have been necessary.

Members of the teaching profession are now paid an allowance for each child under eighteen years, amounting to 3 per cent of their salary, subject to a maximum of 200 and a minimum of 50 gulden per year. In addition to the children's allowances, the

<sup>1</sup> A. M. Joekes, "Family Allowances in the Netherlands," *Industrial and Labour Information*, VII, No. 5 (August 3, 1923), 17.

<sup>2</sup> *Maandschrift Central Bureau voor de Statistiek*, November, 1921.



last four increases of salaries have been confined to the married teachers.<sup>1</sup> It is particularly interesting to note that this is accompanied by equal payments to men and women as such. The single man is given no differential over the unmarried woman, while women with dependents are protected equally with men who have similar burdens.<sup>2</sup> Extra payments are therefore made on the basis of need and not of sex.

A large number of the provinces also pay family allowances to their officials and civil servants which are closely modeled upon the plan of the central government. A considerable number of the larger communes also grant family allowances. Two communes, Hertogenbosch and Tilburg, allow as much as 5 per cent of the father's salary for each child.

Family allowances have also been introduced in the coal-mining center of the country, namely, the Limburg district. A large percentage of these mines are owned by the central government, which is therefore one of the chief employers of labor. In 1920 the Catholic unions formed an agreement with the mine-owners which gave workers under eighteen a cost-of-living allowance of 2.5 gulden a month, and 7.5 gulden for wives and for each child under fourteen.<sup>3</sup> An attempt to cut wages and greatly to reduce the amount paid out in allowances caused the workmen to threaten a strike. When the matter was adjusted by a wage agreement concluded in October, 1921, the cost-of-living allowance was retained for each child under fourteen years, but was reduced in amount from 7.5 to 5 gulden a month.<sup>4</sup> Some 26,000 miners are covered by this agreement.

<sup>1</sup> From a memorandum by Mrs. Francken-Dyserinck in the *Monthly Notes of the British Family Endowment Society*, January, 1925, p. 1.

<sup>2</sup> Married women teachers whose husbands are employed elsewhere are, however, favored in comparison with married male teachers whose wives are not so employed.

<sup>3</sup> *Labour Overseas*, published by the British Ministry of Labour, I, No. 2 (July-September, 1921), 51.

<sup>4</sup> *Maandschrift Central Bureau voor de Statistiek*, November, 1921.

Family allowances are provided for in a number of other collective agreements, whose scope is constantly increasing. Thus in January, 1920, there were 22 agreements between unions and employers, involving 756 enterprises and 34,000 workers, which provided children's allowances of one form or another.<sup>1</sup> Within two years (January, 1922) this had so increased that there were 49 such collective agreements, governing no less than 2,500 establishments and 61,700 workers.<sup>2</sup> This was approximately one-fourth of all the employees in the country who were covered at that time by collective agreements. In addition to these agreements, a number of other establishments, including the textile mills of Twente and the basket-manufacturers of Brabant, have also adopted such allowances.

A number of clearing funds have been created to administer the system and to prevent discrimination against the workers with dependents. The most prominent of these are as follows:

1. The national fund for the cigar industry includes approximately 1,000 manufacturers, employing approximately 23,000 workmen. Allowances are granted of 1 gulden per week for each child under fourteen beginning with the fourth. The employers in turn contribute 1 per cent of their pay-roll to the fund. Some of the employers were apparently slow in instituting payments, since in January, 1921, only 212 of the manufacturers were actually paying out such allowances.

2. The national fund for the boot-and-shoe industry pays .75 gulden a week for each dependent child under fourteen years of age for whom there is not a corresponding unmarried child over fourteen at work earning more than 3 gulden a week. Thus, if there were four dependent children under fourteen and one older brother over fourteen who earned more than the minimum of 3 gulden, the allowances would be paid only for three children and

<sup>1</sup> *Ibid.*

<sup>2</sup> A. M. Joekes, "Family Allowances in the Netherlands," *Industrial and Labour Information*, XII, No. 5 (August 3, 1923), p. 17.

not for four. The employers contribute a stated percentage of their weekly wage payments to this fund.

3. The national collective agreement for the baking trade provides children's allowances of 1 gulden per week beginning with the third child, and creates a fund to which the employers contribute. This system has been particularly developed in Amsterdam, Delft, The Hague, Haarlem, Rotterdam, and Schiedam.

4. The fund for the Limburg pottery industry is managed by a committee of five, two representing the Catholic employers, two representing the workmen, while "the spiritual adviser," or the priest, acts as chairman. An allowance of 1 gulden a week is paid for each child under fourteen years beginning with the third.<sup>1</sup> The employers' contributions to the fund are based upon the amount of their pay-roll.

5. The textile industry of Brabant.

6. The provincial fund of North Brabant was founded by the public authorities to act as a clearing fund for the allowances paid not merely to provincial employees, but to those of the municipalities as well.

7. In the communal fund of Arnhem the municipality participates on behalf of its own employees, but it is also equally open to private employers. Few of the latter have, however, chosen to enter.<sup>2</sup>

The Catholic labor unions in the main hold, as in Belgium, that the wages paid to the workers should be sufficient to maintain a family of average size and that allowances should be granted only to those families that exceed this number. The Catholics seem to favor thus taking care of the large families not only to insure them a minimum of life, but also to offset the birth-control movement, which probably is more open in Holland than in any other country. Most of the unions organized on other than a

<sup>1</sup> See the *Labour Gazette*, XXXI (March, 1923), 86-88.

<sup>2</sup> See *Maandschrift Central Bureau voor de Statistiek*, December, 1920, p. 1741.

religious basis, on the other hand, tend to look askance at the present plans. They are afraid that they may be used to depress the general level of wages, which may thus come ultimately to be only sufficient for a single man. They are also fearful lest it should produce dissension between the married and single men, and at once make the latter more jealous of the former, while at the same time welding the heads of families more closely to their employers. A resolution passed by a special congress called by both the socialist and the "neutral" unions in 1921, in which were represented eighty-five organizations, possessing three hundred thousand members, indicates the grounds upon which this opposition is based:

This conference . . . considers (1) that experience has shown that the system tends to keep wages low and is therefore acceptable to employers; (2) that the government introduced it for state employees to maintain a low basic wage level; (3) that it is an attempt under pretext of "payment according to need" to avoid the introduction of an adequate standard of minimum wages; . . . (4) that the system hinders good relations between workers with large families and those with small who perform the same work; (5) that it tends to destroy the unity of organized workers in their struggle for an adequate wage, undermines the activities of trade-unions and perpetuates existing inadequate wages.

The congress therefore demands from both the government and from private employers that they shall, after consulting the trade-unions, . . . draw up and introduce wage regulations based on a principle of equal pay for equal work, with a fixed minimum which shall ensure to all workers an adequate existence for themselves and their families and calls upon all who, by remaining outside the trade-unions, hinder the struggle for better wages to join their trade-union in order that the strongest possible action may be begun in opposition to family allowances and all other systems which tend to keep wages low.<sup>1</sup>

In 1921 two Catholic members of the Second Chamber, Messrs. Haazevoet and Kuiper, introduced a bill calling for the creation of a national family-allowance fund to which all employers would be required to contribute. The Socialists favored the

<sup>1</sup> See report of this conference in *Labour Overseas*, I, No. 4 (January-March, 1921), 56-57.

granting of children's allowances to all and, in combination with most of the Catholics, passed the first part of the resolution, stating the desirability of such a national fund.<sup>1</sup> They opposed contributions by the employer, however, and declared that these allowances should be paid by the state out of its own funds to all families with insufficient income, irrespective of whether the heads of these families were wage-earners or were self-employed persons. Because of this opposition of the Socialists, the proposal for compulsory assessments upon the employers was then defeated.<sup>2</sup>

The Minister of Labor, Dr. Aalberse, who is a prominent Catholic, has frequently indorsed the principle of a compulsory national fund and has gone so far as to draft such a bill. This, however, has not as yet been introduced, because of the industrial depression. From interrogations in the First Chamber of the States General in May, 1923, it appears that the measure calls for only a moderate contribution by the employers, amounting in all to but 1 per cent of their pay-roll.

## II. SWITZERLAND<sup>3</sup>

Because of the rapid increase in the cost of living from 1915 on, Swiss industries generally found themselves forced to increase wages. Most industries paid a portion of this increase in the form of a special cost-of-living bonus distinct and separate from the base wage. Almost universally these bonuses varied according to the family status of the worker. Thus the bachelor received a smaller bonus than the married man, whose bonus was in turn increased according to the number of children who were dependent upon him. Most of the allowances, save in the case of the watch-making, printing, and silk-weaving industries, were added by the employers and were not specified in the collective agreements

<sup>1</sup> This was carried 58 to 21.

<sup>2</sup> By a vote of 45 to 33.

<sup>3</sup> I am indebted for most of my information about the situation in Switzerland to the International Labour Office, which has furnished me with manuscript reports and studies.

negotiated by the unions with their employers. These bonuses were progressively lowered during the time that the cost of living was decreasing, from November, 1920, on, and by now have in the main disappeared from private industry. One firm in Geneva, however, has recently granted family allowances to its employees. Several equalization funds have been proposed in Geneva, but none has as yet been started.

Family allowances, however, are still quite firmly established in federal employ. These were initiated in 1916, and the scales established since then have been as shown in Table XXXII.

TABLE XXXII  
SCALE OF ALLOWANCES FOR FEDERAL EMPLOYEES OF SWITZERLAND

Year	Amount of Yearly Allow- ance per Child (in Francs)	Upper Age Limit	Maximum Salary Limit (in Francs)
1916.....	18.75	16	4,000
1917.....	50	16	6,001
1918.....	150	18	6,401
1919.....	180	18	6,401
1920.....	180	18	6,701
1921.....	180	18	6,701
1922 (first half).....	150	16	6,401
1922 (since July 1).....	150	18	6,201

These allowances were being paid in 1922 for 88,000 children, 33,000 of whom were children of federal employees in the general administrative services and 55,000 of whom belonged to employees of the federal railways. The total amount thus paid in 1922 amounted to 12,300,000 francs. The sums granted for each child, however, formed but a small fraction of the salaries of the federal employees, ranging from approximately 4 per cent in the case of the unskilled laborer to about 2 per cent for those in supervisory positions.

A number of attacks were made against the payment of any allowances by the federal government, and the matter was investigated by the Federal Council during the first half of 1923. They

did not recommend the abolition of the practice, but merely the reduction of the children's allowance to 120 francs annually instead of 150.<sup>1</sup>

In addition to the children's allowances, indemnities for housing were at first larger for married than for single employees. This differentiation was soon abolished, but the Federal Council has recently recommended that it be reintroduced, because of the fact that the high increase in rents has borne most heavily upon those with dependent families.

In addition to the allowances paid out by the federal government, certain of the communes, notably Geneva, have also granted allowances.

### III. POLAND

'During the war many industrial workers were provided by the state with food rations and with other primary necessities. These were later discontinued, and the workers immediately sought to have the employers guarantee their payment in kind. As a compromise, family allowances were provided for in a considerable number of collective agreements.<sup>2</sup> These allowances typically take three forms, namely, (1) percentages of the wages received; (2) flat sums, irrespective of wages; and (3) higher cost-of-living bonuses than are accorded to single men. ✓

The coal mines of the country are an excellent example of the first method. In 1922 it was agreed that unmarried workers should receive a bonus of 2 per cent of their salary. Married workers with not more than one child were to receive 5 per cent, those with two or three children were to be given 10 per cent, and those with 4 or more, 15 per cent. In the following year, the differential between the unmarried and those with dependents was reduced.

<sup>1</sup> *Message du Conseil Fédéral à l'Assemblée Fédérale concernant le paiement d'allocations de renchérissement au personnel fédéral pour le deuxième semestre de 1923*, p. 27.

<sup>2</sup> *Studies and Reports of the International Labour Office*, Series D, No. 13, *Family Allowances*, p. 125.

Many agreements provide flat sums for each dependent according to the amount of time worked by the given employees. The most notable examples of this type of payment are the Galician oil industry, the cement industry of the country, the brass works of Haberbusch, and a number of machine-shops.

The final method, namely, roughly graduating the cost-of-living bonus according to the number of dependents of the employee, is also practiced in many cases, notably in no less than three districts in the metallurgical industry.

So far as can be determined, no fund has yet been set up to equalize the payments of the various firms.

Ever since the establishment of the independent Polish state, however, the salaries of governmental officials have been graduated according to their family burdens, and this provision was extended in 1920 to employees in such state services as the schools, the railways, and the police forces, etc. In December, 1920, the relative salaries of state officials with varying-sized families were as follows:

TABLE XXXIII  
RELATIVE MONTHLY SALARIES OF POLISH STATE OFFICIALS  
IN DECEMBER, 1920  
(Salary of unmarried man = 100)

Size of Family	Low-Grade Officials	Intermediate- Grade Officials	High-Grade Officials
Unmarried . . . . .	100	100	100
1 or 2 dependents . . . . .	106	112	133
3 or 4 dependents . . . . .	110	122	157
Over 4 dependents . . . . .	115	131	182

These allowances were therefore much more important in the case of the more highly paid officials, although the need was less among these groups. In 1923 the amount of these allowances was modified.



IV. SWEDEN<sup>\*</sup>

Prior to the war, the Swedish Parliament had twice considered granting special allowances to those civil servants and teachers who had families, but each time rejected the proposal. The war-time rise in living-costs compelled them, however, to lessen the strain upon these employees, and accordingly in 1916 a special allowance was given. Since no general increase was granted, the real wages of those without dependents were consequently reduced. In the following year, a cost-of-living bonus was established which compensated only in part for the increase in prices. In 1919 the two systems were merged in a complicated composite plan. The cost-of-living bonus was placed on a sliding-scale basis, under which a much higher percentage of the increase in living-costs was paid to the low- than to the high-salaried employees, with a monthly allowance of 15 crowns for every dependent child under sixteen years. This allowance was to move up and down with variations in the cost of living. When the ratio of the cost-of-living bonus to the actual increase in the cost of living was being reduced in 1920, Parliament overrode the cabinet and introduced another feature, giving an advantage to those with families by granting them a higher cost-of-living bonus than the unmarried. The absolute importance of both the family allowances and the cost-of-living bonuses naturally declined greatly during the next three years because of the very considerable fall in prices, the monthly allowance per child, for example, decreasing by approximately one-half.

In 1923 the ministry tried to limit the scope of the family allowances still more drastically by proposing to abolish the specific grant for every child and to retain only the differential cost-of-living allowances, which was to be given only to those with dependents and not to unmarried employees. Parliament, however,

<sup>\*</sup> I have derived my information about the Swedish situation from memoranda prepared by Mr. Alrik Jacoby, of the Social Board of Stockholm, Sweden, and by Mr. Simon Runemark, actuary in the Ministry of Finance; and from proposals made by the cabinet in 1923, regarding the cost-of-living allowance.

again refused to follow the government, and retained the system of family allowances. One of the leaders of the Conservative party, Herr Ekman, declared in the debate that the principle of family maintenance should not be abandoned, but should instead be applied much more widely.<sup>1</sup>

Shortly afterward, a committee on the pay of women civil servants, which had been appointed in 1921, made a report which reflected Herr Ekman's influence. This committee proposed that annual allowances should be made for the children of all state employees,<sup>2</sup> who were to be divided into five groups according to their salary, with corresponding allowances. Thus, 240 crowns a year were to be given for the first child in the families of the lowest class of employees, as compared with 480 in the fifth or highest class. The allowances for the second, third, and fourth child were to be uniformly one-half that allowed for the first child, while no allowances were to be paid for children above the fourth.

This proposal was opposed by the Socialist member of the committee, who argued, in what might seem a somewhat inconsistent fashion for a Socialist, that the state service should not adopt a different system of payment from that of private industry. Apparently the suggestion of the committee has not found great favor, however, either with the capitalistic or with the socialistic press.

The Swedish cities almost universally varied their cost-of-living bonuses during the war according to the numbers dependent upon an employee. As the cost of living has decreased and as the basic wage has itself gradually been raised to absorb most, if not all, of the shrinkage in its real purchasing power, the importance of these cost-of-living bonuses has diminished and with them the family allowances. At the present time only two cities still retain the system.

The family-allowance system and cost-of-living bonuses were

<sup>1</sup> *Riksdagens Protokoll, Första Kammaren, 1923, No. 32, pp. 8-9.*

<sup>2</sup> *Betänkande angående ordnandet av Kvinnliga befattningshavares anlännings-och pensions förhållanden, Stockholm, 1923.*

introduced into private industry during the latter part of the war and the years immediately following. By 1920 no less than 443 collective agreements between the unions and the employers, covering some 106,000 workers, provided for the payment of additional sums for a wife and for each child.<sup>1</sup> One of the most important of these agreements was that made by the privately managed railroads of the country, which in 1919 granted family allowances fluctuating according to the cost of living, in addition to the cost-of-living bonus itself.<sup>2</sup> In none of these agreements, however, were clearing or equalization funds established.

But with the decline in prices, both cost-of-living bonuses and family allowances were greatly curtailed and the only important industry which now pays such allowances is that of textiles, which employs 26,000 workers.

#### V. NORWAY

The experience of Norway has been strikingly similar to that of Switzerland. Family allowances were introduced during the war by a number of employers, notably those in the mining and electrical industries, as an emergency device to meet the increase in the cost of living. Since 1917, they have gradually been abandoned.

Such allowances were adopted by the Norwegian government in 1917, with a scale of 160 kronen for a wife, 120 kronen for the first child, and 100 kronen for each of the other children. This was increased to 300, 200, and 120 kronen respectively in 1918-19, and this scale was maintained until 1923, when the Storting voted to abolish all supplementary wages, retaining, however, for six months a half-yearly allowance of 90 kronen for the wife and 60 kronen for each of the children. Since July 1, 1923, these allowances have also been discontinued.

A number of the municipalities, however, still continue to grant allowances to those of their employees who have families.

<sup>1</sup> *Kollektivavtal i Sverige viel Aasskiftet*, Stockholm, 1920-21, p. 33.

<sup>2</sup> *International Labour Review*, III, 161-62.

## VI. DENMARK

In Denmark, as in Norway and Switzerland, family allowances were bound up with the special war-time cost-of-living bonuses, and consequently disappeared in private industry with the abolition of these bonuses. In the Copenhagen printing industry, a clearing fund was established in 1916 to equalize the burden among employers, which was continued for three years. The unions quite consistently opposed the practice and demanded equal pay for equal work, irrespective of the family condition of the worker.

The system of allowances to state employees also began during the war. From 1919 on, unmarried workers have been paid only two-thirds the cost-of-living and special bonuses granted to married officials.

VII. FINLAND<sup>1</sup>

The cost of living in Finland did not increase with catastrophic suddenness until 1918, when the struggle for independence and the bitter contest between the "whites" and the "reds" caused an enormous inflation of the currency and an extraordinary increase in prices.<sup>1</sup> Whereas living costs had increased only 170 per cent in the three years from 1914 to 1917, they rose no less than 260 per cent from 1917 to 1918.

The government and the municipalities tried to economize on the salaries of their employees, which were accordingly increased as little as possible. Life for the married officials became virtually impossible, and special family allowances were introduced to help them bridge their difficulties.<sup>2</sup> These allowances differed greatly, and in March, 1919, the government issued an order granting allowances for children under eighteen to virtually all civil servants irrespective of their salary, on the basis shown in Table XXXIV.

The allowances granted were appreciably lower in the smaller cities and in the country than in Helsingfors, the capital, and

<sup>1</sup> I am indebted for most of my information about Finland to a memorandum prepared by Mr. T. Vum for the International Labour Office.

were very much less for the second and succeeding children than for the first child.

The Confederation of Civil Servants, which had originally demanded a uniform increase in the salaries of all public officials, whether married or unmarried, commensurate with the increase in the cost of living, now criticized many of the details of this system and asked that it be amended to provide: (1) an allowance for the wife; (2) an equal allowance for each child; (3) the abolition of the maximum number of children for which allowances were granted; (4) the raising of the maximum age to twenty-one years; (5) the granting of a double allowance for the year 1920.

TABLE XXXIV

NUMBER OF CHILDREN	ALLOWANCES PER MONTH (IN MARKS)		
	Helsingfors	Other Towns	Country Districts
One .....	100	80	60
Two .....	140	110	80
Three .....	180	140	100
Four .....	220	170	120
Five or more .....	260	200	140

Most of these proposals were rejected by the government, but a simplification was introduced in 1921 by granting a uniform allowance of 80 marks for each child without regard to locality. In 1921 this amount was increased to 150 marks. In 1921 approximately 58,000,000 marks were paid out in family allowances, and in 1922 the total amounted to 60,000,000. When basic salaries were appreciably increased, in 1923, and when the cost of living had become relatively stabilized, the scope of the family allowances was considerably restricted by the provision that they should not be paid for the first child and by a reduction in the maximum age from eighteen to sixteen years. The government has recently (October, 1923) proposed still further curtailments.

The municipalities increased the salaries of their employees

much more rapidly than the central government. Family allowances of a stated sum per child were, however, also granted to assist those with dependents. The scales granted by several of the cities in 1922 are shown in Table XXXV.

TABLE XXXV

Municipality	Allowance per Child* per Month (in Marks)
Abo, Vasa.....	150
Borga.....	125
Helsingfors, Sortavala.....	120
Viborg, Rauma.....	100
Kuopio.....	75
Tammfors.....	60

\* Two towns (Abo and Borga) gave allowances for wives as well as for the children.

Basic salaries within the past year have been more and more adjusted to the prevailing cost of living, and a number of cities have consequently discontinued family allowances for their officials.

There is little information on the application of the system to private industry. Since the wages of these workmen were kept more closely in pace with the cost of living, there was not as great an incentive to adopt it, although it is reported that a number of enterprises did pay out allowances in one form or another.

#### VIII. JUGO-SLAVIA

All state officials and employees of the Jugo-Slav government, of whom there are approximately 200,000,<sup>1</sup> are eligible to receive family allowances if they have dependent children. Most of the municipalities, banks, and mines, as well as many other private employees, also grant similar allowances. Mrs. F. S. Copeland, who is a lecturer at the Serb-Croat-Slovene University at Ljubljana, states that all the workers' organizations are heartily in favor of the system.<sup>2</sup>

<sup>1</sup> *Studies and Reports of the International Labour Office*, Series D, No. 13, *Family Allowances*, p. 131.

<sup>2</sup> *Monthly Notes*, British Family Endowment Council, June, 1924, p. 5.

## IX. GREAT BRITAIN

Within the last few years, a strong movement has been developing in England toward granting extra allowances to those who have dependents to support. This has been notably urged by a group of feminists under the leadership of Miss Eleanor F. Rathbone and Mrs. M. D. Stocks. A committee headed by the former brought out a proposal in 1918 for the endowment of motherhood by the state, in a pamphlet entitled *Equal Pay and the Family*, and which was followed up by a number of articles and brochures.<sup>1</sup> In 1924, Miss Rathbone published a most able book, *The Disinherited Family*, which argued the case for family endowment with cogency and power, and which showed that she no longer looked to the state as the exclusive source of such allowances. A Family Endowment Council has been formed by her, which includes on its executive board such representatives of diverse political affiliation as Mr. H. N. Brailsford, Professor Ramsay Muir, and Sir Arthur Steel Maitland. This Council is carrying on an active campaign of education.

Mrs. Sidney Webb, in the *Minority Report of the War Cabinet Committee on Women in Industry*,<sup>2</sup> in attempting to devise a scheme which would grant "equal pay for equal work" and prevent the undercutting of men's wages by women, proposed to have a single minimum wage for each trade irrespective of sex. Those with dependents were then to be paid a proportionate allowance by the state.

The Labour party and Trades Union Congress became interested in the question and appointed a committee under the chairmanship of Dr. Marion Phillips to consider the matter, in 1921. This committee indorsed the principle, but, apparently largely under the influence of the well-known collectivist, A. Emil Davies,

<sup>1</sup> See Eleanor F. Rathbone, "Wages according to Family Needs," *Hibbert Journal*; M. D. Stocks, *The Meaning of Family Endowment*, Labour Publishing Co., 1921, 45 pp.

<sup>2</sup> Published also by the Fabian Society under the title of *The Wages of Men and Women: Should They Be Equal?*

rejected an endowment to the family in the form of money and proposed instead an allowance in goods and services to be furnished by the government.<sup>1</sup> Thus clothes, milk, medicine, and hot meals were to be furnished to the children by the schools rather than by the parents. This was advocated on the ground that if the money were given to the parents, they could not be relied upon to spend it for the best interests of the children, and because economies of large-scale manufacture and distribution would be realized if the goods were furnished by the state. The proposal of the committee met with some opposition from feminists at the Conference of the Labour Women in 1922, but was finally adopted.

While these proposals have attracted considerable attention,<sup>2</sup> they have not as yet resulted in any legislative action.

There are a few interesting cases where differential allowances have been granted in practice to those with families, which are perhaps worthy of attention. It has long been the custom in most mining districts of England to grant manual workers free coal. In Northumberland and Durham, the married miners are generally given either a house without rent or its equivalent in money.<sup>3</sup> In the fall of 1922, Lord Buxton, acting as chairman of the South Wales Conciliation Board, made an award on the demand of the South Wales Miners' Federation that wages be increased above the previous daily minimum of 6s. 5d., which divided the employees into two groups. The first group were those who were heads of families and already entitled to free coal; the second were single men who were not heads of families. The wages of the former

<sup>1</sup> See *Motherhood and Child Endowment*, published by the Trades Union Congress and the Labour party.

<sup>2</sup> See the criticisms of the proposal advanced by Professor F. Y. Edgeworth, "Equal Pay to Men and Women for Equal Work," *Economic Journal*, XXXII (December, 1922), especially 452-55; and a review of Miss Rathbone's book by H. Phillips, *ibid.*, XXXV (March, 1925), 92-96.

<sup>3</sup> Sir Richard Redmayne, *The British Coal Mining Industry*, p. 239.



were increased 9*d.* daily to 7*s.* 2*d.*, while those of the latter were increased by only 3*d.*, to 6*s.* 9*d.*<sup>1</sup>

The war-time separation allowances for those in military service have been extended to all married soldiers in the peace-time standing army who are at least twenty-six years of age. A weekly cash allowance is paid which varies according to the size of the family and which is adjusted according to the cost-of-living index. Since 1920 the weekly scales paid have been as given in Table XXXVI.

TABLE XXXVI

Date	Wife Only	Wife and 2 Children	Wife and 3 Children
October, 1920.....	9 <i>s.</i> 6 <i>d.</i>	24 <i>s.</i> 6 <i>d.</i>	35 <i>s.</i> 0 <i>d.</i>
April, 1921.....	9 6	24 6	33 6
April, 1922.....	7 0	19 0	23 0
April, 1923.....	7 0	18 0	22 0

<sup>\*</sup>See *Report of Committee of Pay, etc., of State Servants*, 1923, p. 10

Since virtually no provision was made before the war for the wives and children of the soldiers, the married soldiers have had their position greatly improved as compared with their fellows in industry. Naval officers have also recently been granted marriage allowances by the 1925-26 budget.<sup>2</sup>

Two other instances of family allowances are those of the police force of the country and the ministers of the Wesleyan Methodist Church.

## X. ITALY

Family allowances were widely granted during the war in Italy, not only by the government itself, but by the municipalities and by private industry as well. The allowances have been virtually abandoned by private employers since the war, although a glass factory in Milan continues such payments, and the 1921

<sup>1</sup> For the text of the decision, see the *Iron and Coal Trades Review*, October 6, 1922.

<sup>2</sup> *Monthly Notes*, British Family Endowment Society, March, 1925, p. 3.

collective agreement in the printing trades of that city called for a supplementary allowance of 7 per cent to those low-paid workers who had at least one child. In some agricultural districts of the country, married farm laborers are paid a higher wage, either in money or in kind, than the single men.

The allowances have been kept up, however, for most state officials and for the workers on the various state industries, such as the railways, street-car lines, and the postal, telegraphic, and telephonic services, although they have been reduced within the last year.

#### XI. SPAIN

While the principle of family allowances and of clearing funds was indorsed by the Spanish Association of Employers in 1921, very few employers, save a few in the Catalonian textile industry, have followed the recommendation.

#### XII. PALESTINE

Mrs. L'Estrange Malone reports that those workers in Palestine whose wages are fixed by the General Federation of Jewish Labor are paid monthly allowances amounting to £3 for a wife, £3 for the first child, and £2 and £1 for the second and third respectively. The teachers receive from the Zionist organization a monthly allowance of £1 above their basic salary for a wife. An equal allowance is granted for the first child, and one of 10s. for each subsequent child. These are continued until the child is fourteen years old.<sup>1</sup>

<sup>1</sup> *Monthly Notes*, British Family Endowment Society, March, 1925, p. 3.

## CHAPTER XI

### WAGES REGULATION AND CHILDREN'S MAINTENANCE IN AUSTRALIA

#### I. THE AUSTRALIAN SYSTEMS OF WAGE REGULATION

As is well known, wages are more closely regulated by governmental action in Australia than in any other country. The two methods by which minimum wages are set in the six states of the commonwealth are by wages boards and by arbitration courts. Victoria, in 1896, was the first state to establish wages boards, and was followed by South Australia, Queensland, and Tasmania. New South Wales and Western Australia, on the other hand, instituted arbitration courts with compulsory powers, which were modeled in large part upon the New Zealand system.

These two methods of regulating wages were adopted for divergent reasons, and were originally distinctly different in operation. The wages boards were originally created because of agitation against "sweating" in certain specific low-wage industries where subcontracting was common. The arbitration courts were created as a means of securing industrial peace by substituting the decision of a state tribunal for the "trial by combat" of strikes and lockouts. Another influential factor in the establishment of compulsory arbitration was the desire of union labor to increase its organization among the workers by providing in the arbitration laws that workmen must be organized in a union before they could bring a complaint to the court.

The two systems were also different in structure. The arbitration (industrial) court had jurisdiction for the whole of the state and thus ruled upon a wide variety of industries. The wages boards, on the other hand, had jurisdiction over only one trade,

and were composed of equal numbers of employers and employees in that occupation, with a neutral chairman. The result, therefore, was very much in the nature of compulsory collective bargaining, the neutral chairman acting both as the conciliator and as the breaker of deadlocks. Furthermore, the basic powers of the two differed vitally. The decisions of the wages boards were designed to serve only as minima below which the employer could not go, but above which the workmen might demand. While binding upon the employer, they were not binding upon the employees, and did not preclude them from striking. The decisions of the arbitration courts, however, were binding upon both parties, and both strikes and lockouts were made illegal.

Within approximately the last decade, there has been a decided movement toward compulsion. South Australia and Queensland passed compulsory-arbitration acts in 1912, which were revised in 1916 and 1920 respectively. Tasmania now penalizes strikes against a wages-board decision, although strikes for purposes not covered in the decisions of the boards, such as the closed shop, are not prohibited. Victoria remains, therefore, the only state which does not now have compulsory arbitration in one form or another. In administrative structure the systems have also tended to blend together.

Both methods have also come to have a wider field of application than was originally designed. Thus, in the wages-board states, boards were rapidly created for a large number of trades and were not confined to those where the workers were grossly underpaid. By 1915, in Victoria, for example, practically all the trades and some 150,000 workers were under the jurisdiction of the various wages boards.<sup>1</sup> In the states with compulsory arbitration, the experience of New Zealand has been borne out; the unions have used the machinery largely as a means of filing claims in a wide variety of cases. Since the decisions of the court general-

<sup>1</sup> See Paul S. Collier, "Wage Legislation in Australasia," *Fourth Annual Report of New York State Factory Investigation Commission*, IV, 1953.

ly apply not only to the original parties to the dispute, but to all active competitors of the employer, the result has been that the decisions of the courts have become binding over an extensive field of industry. Thus, out of 437,000 employed workers in New South Wales in 1919, nearly 45 per cent (190,000) were under the jurisdiction of state awards.

The federal government also has a system of compulsory arbitration. Although only delegated powers are given to the central government, the constitution gives to the federal Parliament the power to make laws with regard to "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state." In 1904 the federal Parliament availed itself of this permission and created an Industrial Court composed of one man (who was to be a justice of the High Court of Australia), which was to have compulsory powers over both employers and employees in the cases over which it assumed direction. While this court was not given the power to make its decisions in any particular case binding upon the industry as a whole, and while considerable difficulty was experienced in determining when a dispute extended "beyond the limits of a state," the Court filled a very important place, and its rulings came to apply to a considerable percentage of the workers in the commonwealth. Justice H. B. Higgins was for twelve years the president of this Court, resigning as a protest against the practice of the prime minister, Mr. W. M. Hughes, of interfering in the settlement of important disputes by setting up special bodies.

The various legislatures laid down only the vaguest principles which were to be followed by the boards and courts in fixing wages. Victoria provided that the decisions should not prejudice the progress of industry and should at the same time secure a living wage to the employees. The New South Wales law of 1912 provided that the standards of judgment used should be "equity and good conscience." The Queensland and the commonwealth laws contain virtually identical provisions. The Tasmanian law stated that the wages should be "fair and reasonable." Western

Australia in 1912 enacted a somewhat more specific law, which stated that wages must be sufficient to enable the average worker to live in reasonable comfort, having regard to any domestic obligations to which such average worker would ordinarily be subject.<sup>1</sup>

Lacking any clear legislative mandate, the wage-fixing bodies for a number of years made no investigations to determine the basic facts involved, and followed no coherent theory. In Victoria, the wages boards became primarily bargaining boards, with the representatives of the workers pressing the cost-of-living argument, and the representatives of the employers urging in reply the economic condition of the trade. The result was generally a compromise determined according to the relative strength, pertinacity, or eloquence of the contestants, and naturally varied from trade to trade. Such in the main has been the history of the Victorian system ever since. The wages bodies in the other states also floundered without establishing any firm basis of fact or principle upon which they might rest their decisions.

A decision by the federal court in 1907 furnished the foundation for subsequent awards for well over a decade. In the celebrated "Harvester case," Justice Higgins defined "fair and reasonable conditions of remuneration" as "the normal needs of an average employee regarded as a human being living in a civilized community,"<sup>2</sup> and spoke of the necessity for "a condition of frugal comfort estimated by current human standards." "Reasonable comfort" rather than a physical minimum of subsistence became therefore the standard of the federal court.

In view of the great influence which this decision exercised, it is worth while to analyze the methods and principles by which Justice Higgins attempted to translate this general standard into a specific wage minimum. He secured the weekly expenditures for food and fuel of nine housekeeping women, and found that they

<sup>1</sup> I have taken these citations from the admirable analysis of the Australasian laws by Paul S. Collier, *op. cit.*, p. 2262.

<sup>2</sup> See Mr. Higgins' article, "A New Province for Law and Order," in *Harvard Law Review*, XXIX, 14-15.

averaged £1 5s. 5d. He also spoke of evidence given "by a land-agent as to the rents" and "by a butcher as to meats." He concluded that, "taking the rent at 7s., the necessary average weekly expenditure for a laborer's home of about five persons would seem to be about £1 12s. 5d." The existing minimum wage was 6s. daily, or 36s. weekly. Were this continued, the lowest-paid workers would have only 3s. 5d. a week to pay for "light, clothes, furniture, utensils, rates, life insurance, savings, accidents, or benefit societies, loss of employment, union pay, books and newspapers, tram and train fares, sewing-machine, mangle, school requisites, amusements and holidays, intoxicating liquors, religion or charity." Then, on looking about him, he found that "public bodies which do not aim at profit . . . very generally pay 7s.,"<sup>1</sup> and after citing a number of governmental bodies that paid this amount, declared such a wage to be "fair and reasonable."

It will be apparent that this wage was set on very slender evidence. Only nine household budgets were examined. The testimony of one real-estate dealer was taken for rent, and this was apparently for the suburb of Melbourne, where the works of the company were located. No analysis was made of the cost of clothing and miscellaneous items; they were apparently fixed at 9s. 7d. in order to bring the wage up to the level of that paid by governmental agencies. Clothing and miscellaneous items, therefore, together amounted to only 23 per cent of the total wage allowed. These figures not only served as the model upon which Justice Higgins framed his other decisions in the Commonwealth Court, but they were largely taken over by the state courts as well. The cost of living was of course rising during this time, and in 1912 Mr. G. H. Knibbs, the celebrated commonwealth statistician, began to compile data on the relative cost of food items and of rent. These were carried back to 1901. Data were secured on additional towns, and the index was compiled periodically there-

<sup>1</sup> See the very full quotations from Justice Higgins' decision in the *Report of the Royal Commission on the Basic Wage, Parliament of the Commonwealth of Australia*, No. 80, 1920, pp. 9-10.

after. This index was used by the Commonwealth Court and by most of the other bodies to revise their wage decision, but the wage set in the Harvester case was still generally retained as the basis from which the adjustments were made.

In 1914 Justice Heydon, of the New South Wales Industrial Court, made a painstaking investigation to determine the proper basic wage.<sup>1</sup> Not only was the Harvester wage analyzed and a mass of statistical material collected and compared, but a fairly extensive number of family budgets were collected and evaluated. One striking change was introduced by him. An analysis of the statistics showed that the average number of dependent children under fourteen per family in the commonwealth ranged between 1.7 and 1.9. After making allowances for those children over fourteen who were unable to work, Justice Heydon concluded that two and not three dependent children should be used as the standard, and accordingly the family for which he sought to secure living-costs was four in number instead of five.

In comparing the food budgets submitted by the women in the Harvester case with those disclosed in later investigations by Mr. Knibbs, and with current budgets, Justice Heydon became convinced that the food budget approved in the Harvester case was too high.<sup>2</sup> On the other hand, he concluded that he would have to increase the sum provided for rent. He did not alter, however, the relative amount which Higgins allowed for clothing and miscellaneous expenditures. As a result of his computation, Justice Heydon recommended that the wages boards should regard £2 8s. as the minimum weekly wage.

With the outbreak of the war, living-costs increased still more rapidly, and industrial unrest magnified. Although the courts and boards attempted to adjust wages in the light of the increase in

<sup>1</sup> For the very interesting opinion of Justice Heydon, see the *Bulletin of the New South Wales Board of Trade*, "Living Wage (Adult Males)," 1918, pp. 5-66.

<sup>2</sup> Thus, in Mr. Knibbs's inquiry, families with an income of £3 weekly spent only £1 os. 10d. for food and groceries, while Higgins' Harvester figures indicated that those receiving £1 16s. spent £1 4s. 6d. for food and groceries alone.



the cost of living, labor complained bitterly of the methods used. In the first place, there was an inevitable delay in the publication of the index number of the Commonwealth Bureau of Statistics, and a still further delay before the boards and courts applied it in revising the previous wage scale, so that it was some time before

TABLE XXXVII\*  
MOVEMENT OF REAL WAGES IN AUSTRALIA, 1911-19  
(1911 = 1,000)

Year	Index of Real Wages, Full Work	Allowing for Unemployment
1911.....	1,000	1,000
1912.....	955	946
1913.....	975	970
1914.....	952	889
1915.....	862	844
1916.....	894	875
1917.....	850	923
1918.....	952	943
1919.....	968	963

\*Taken from Commonwealth Bureau of Census and Statistics Labour and Industrial Branch, No. 12, *Prices, Purchasing Power of Money, Wages, Trades-Unions, etc.*, p. 108.

the basic wage was adjusted. During this time, of course, the cost of living had been still further advanced. Moreover, the award, once made, continued for a considerable length of time.

The result was that, according to the official index numbers, real wages did not keep pace with the increase in the cost of living after 1911. (See Table XXXVII.) But the workers objected to the use of the official index of the cost of living as prepared by Mr. Knibbs, on the grounds that it included only food and housing and that it did not include clothing and miscellaneous expenses. They charged that these items, particularly clothing, had been increasing in price at a more rapid rate than had rents and food, and that this increase in clothing and other items had at the same time increased the relative proportion of the family income spent upon these things, and had therefore decreased the relative im-

portance of food and rent. They declared, therefore, that the official index understated the real increase in the cost of living.

The industrial unrest created an enormous increase in the number of strikes, which the various so-called compulsory arbitration laws almost completely failed to check, and which is shown in Table XXXVIII. In consequence of all these facts, there was distinct pressure from many quarters to put the principles and technique of wage fixation upon a more satisfactory footing.

TABLE XXXVIII\*  
MOVEMENT OF STRIKES IN AUSTRALIA, 1913-19

Year	Number of Workmen Involved in Strikes Directly or Indirectly	Number of Working- Days Lost
1913 .....	50,300	624,000
1914 .....	71,000	1,000,000
1915 .....	81,300	583,000
1916 .....	170,700	1,679,000
1917 .....	174,000	4,600,000
1918 .....	56,400	581,000
1919 .....	157,600	6,308,000

\*Commonwealth Bureau of Census Statistics, *Labour and Industrial Branch Report*, No. 12, p. 142.

## II. THE NEW SOUTH WALES MAINTENANCE-OF-CHILDREN BILLS OF 1919 AND 1921

In New South Wales the declarations of the amount of the living wage by the Industrial Court had not been directly binding upon the various boards which had been set up although they had of course largely followed the findings announced. In 1918 an amendment was made in the Industrial Arbitration Act which was designed to secure a more accurate determination of what the living wage was, and to make such a determination obligatory upon the boards. This legislation created a Board of Trade which, "after public inquiry as to the increase or decrease in average cost of living," was to "declare what shall be the living wages to be paid to adult male employees and to adult female employees in the state or any defined area thereof." A separate inquiry was to

be made for rural as distinguished from urban workers. The Board's declarations were made mandatory by the provision that "no industrial agreement shall be entered into and no award made for wages lower than such living wages."<sup>1</sup>

In September, 1918, the Board of Trade, under the presidency of Mr. Heydon, declared the minimum wage for adult males in Sydney and vicinity to be £3 a week.<sup>2</sup> In October of the following year, they increased this amount to £3 17s., an advance of 28 per cent.<sup>3</sup> The Holman government, which was of the Nationalist party (a fusion of those Labourites who had favored war-time conscription and the conservative groups), was startled by the size of the increase and in consequence drafted a maintenance-of-children bill which was speedily passed by the Legislative Assembly and was then presented to the Legislative Council (the upper house) for approval.

The measure<sup>4</sup> as passed by the Assembly applied only to employed wage-earners and did not grant any benefits to the families of small proprietors or self-employed persons. Three groups of wage-earners were, moreover, excluded from the provisions of the bill, namely, rural workers,<sup>5</sup> domestic servants, and all employees under the jurisdiction of the Commonwealth Court of Arbitration.

<sup>1</sup> *Bulletin New South Wales Board of Trade*, "Living Wage (Adult Males)," 1918, p. 1.

<sup>2</sup> See *Compendium of Living Wage Declarations and Reports Made by the New South Wales Board of Trade*, pp. 4-10.

<sup>3</sup> *Ibid.*, pp. 10-24.

<sup>4</sup> For the text of the bill, see New South Wales 10 George V, "An Act to Provide for the Payment Towards the Maintenance of Children, etc." See also a summary prepared by the secretary to the Premier's Department, "Children's Maintenance Bill." A short analysis is also given by Miss Eleanor F. Rathbone, "The New South Wales Scheme for the Grading of Wages according to Family Needs," *Economic Journal*, XXX, 550-53. See also her article, "Wages according to Family Needs," *Hibbert Journal*, XIX, especially 717-19. Another account is contained in the *New South Wales Official Year-Book*, 1920, pp. 550-51.

<sup>5</sup> As originally introduced, the bill included rural workers. The desire to secure the support of the country members for the measure was, however, probably the real reason for their final exemption.

It was estimated that approximately one-half the children in the ages covered would thus come under the scope of the bill.

The basic wage for all adult male employees was not to be the amount which the Board of Trade adjudged necessary to support a family of four, but enough to support a man and wife without children. Although the standard for fixing the basic wage for women was not stated, it was probably intended to be that which the Board of Trade had already established, namely, "the cost of living of the adult female worker of the poorest class maintaining herself, but having no other responsibility and living away from home in lodgings."<sup>1</sup>

The Board of Trade was then to inquire into "the further sum necessary to be added to the cost of living for a man and his wife to provide for the maintenance of a single child and for each additional child maintained in the same household." It was thereby made possible for the Board of Trade to fix different costs for the children according to the number in the family. Parents with children were to be paid the cost of bringing up their children in addition to their basic wage. Single men and those with no children dependent upon them of course were not to receive this added amount.

The difficulty that all this might result in the employers' discriminating against those with dependents was met by providing a central fund into which the employer was to pay monthly contributions for every person in his employ. From the fund the families were then to be paid sums sufficient to bring up their children. Since the employer's premium depended only on the number of his employees, without respect to the number of dependents that they had, the employers would not be able to decrease their costs by hiring only single men and those married men with only a few dependents.

<sup>1</sup> "Living Wages for Adult Females," Declaration of December 18, 1918, *Compendium of Living Wage Declarations and Reports Made by the New South Wales Board of Trade*, p. 50.

The main administration devices outlined in the bill were as follows:

Male and female wage-earners were each to be divided into twelve groups. The first group was to include those who did not receive more than 5s. a week above the minimum set for that sex. The second group was to comprise those whose wages were from 5s. to 10s. above their minimum, and so on. The twelfth or last group was to comprise those whose weekly earnings were from 55s. to 60s. in excess of the minimum. Those employees who were in the first group were to receive the full amount which the Board of Trade adjudged necessary to support dependent children (or boys under fourteen and girls under fifteen); those in the second group were to receive only eleven-twelfths of this sum, and each successive group was to have one-twelfth deducted from the amount set, until those in the twelfth group would be receiving only one-twelfth the subsidy for each child that the lowest-paid group would be receiving. Thus, if 9s. a week had been established as the cost of a dependent child, then this amount would be successively decreased by  $\frac{3}{4}$ s. for every group.

The reasons for adopting this tapering sliding scale of benefits were as follows: First, those whose wage exceeds the basic minimum necessary for the support of man and wife have a surplus available to take care of their children. The larger the amount by which their earnings exceed this minimum, the less they need assistance to help them bring up their children. Secondly, if the grants for the maintenance of children had not been gradually tapered off, but had been abruptly discontinued once the worker had attained a given wage, there would have been a zone within which it would be more profitable for those with dependent children to earn less money, and therefore receive grants from the fund, than to earn more and thereby—their grants being cut down—reduce their total income. In the third place, it was necessary to have the amount of the grant gradually reduced as the income increased, so that at every point the worker would gain

more by increasing his wage than he would lose through the decrease of the grant.

The government statistician was to secure annually from all employers the number of men and women respectively in each of the twelve groups and the number of children dependent upon those in each group. The total cost of maintaining the children of male and female employees was then to be obtained for each by multiplying the number of children dependent upon such employees by the respective amount to be paid for the children. The sums for each sex were to be computed separately. The illustration given in Table XXXIX, expressed in terms of American currency and computed on a weekly basis, will show the process by which the probable total cost of such a system would be ascertained.<sup>\*</sup> For the purpose of the illustration, it is assumed that the basic wage for adult males is \$15 a week, for females \$7.50 a week, and that the weekly allowance for each child is \$3.

The amount which the employers were to pay into the central fund per employee was to be ascertained by dividing the probable total payment to the dependent children of male and female employees respectively by the total number of such employees. Thus, in the illustration given, \$894,500 would be divided by 386,000, and the resultant quotient, \$2.32, would be the amount, on a weekly basis, which the employers would be expected to contribute for each of their male employees. As indicated, the "loading" for female employees was to be computed separately. Thus the \$24,831 to be paid out to child dependents of the woman workers would be divided by the 93,400 such employees, and the resultant per capita weekly charge of \$0.27 for every woman worker employed would be paid by the employers into the central fund.

The fund was to be state wide and administered by the government, which was to meet the costs of administration and also underwrite its financial soundness by pledging sufficient public revenue in the event that the fund showed a deficit. The government

<sup>\*</sup> Exclusive, that is, of administrative costs.

statistician was given the power to collect new data at any time and thus to revise the figures used for computing the employers' contributions and thereby make the fund self-supporting again.

TABLE XXXIX

ILLUSTRATION OF METHOD OF GRADUATING ALLOWANCES PROVIDED IN  
NEW SOUTH WALES MAINTENANCE-OF-CHILDREN BILL OF 1919

Group	Weekly Wage	Number of Employees in Each Group	Number of Children Dependent upon Employees in the Respective Groups	Sum Allotted Weekly per Child	Total Weekly Cost
<b>Males</b>					
1.....	\$15.00-\$16.25	120,000	125,000	\$3.00	\$375,000
2.....	16.25- 17.50	77,000	75,000	2.75	206,250
3.....	17.50- 18.75	52,000	50,000	2.50	125,000
4.....	18.75- 20.00	27,000	25,000	2.25	56,250
5.....	20.00- 21.25	22,000	20,000	2.00	40,000
6.....	21.25- 22.50	20,000	18,000	1.75	31,500
7.....	22.50- 23.75	18,000	16,000	1.50	24,000
8.....	23.75- 25.00	15,000	13,000	1.25	16,250
9.....	25.00- 26.25	13,000	11,000	1.00	11,000
10.....	26.25- 27.50	10,000	8,000	0.75	6,000
11.....	27.50- 28.75	7,000	5,000	0.50	2,500
12.....	28.75- 30.00	5,000	3,000	0.25	750
Total.....		386,000	369,000		\$894,500
<b>Females</b>					
1.....	\$ 7.50-\$ 8.75	35,000	4,000	\$3.00	\$ 12,000
2.....	8.75- 10.00	20,000	2,000	2.75	5,000
3.....	10.00- 11.25	12,000	1,200	2.50	3,000
4.....	11.25- 12.50	10,000	1,000	2.25	2,000
5.....	12.50- 13.75	8,000	800	2.00	1,600
6.....	13.75- 15.00	4,000	400	1.75	700
7.....	15.00- 16.25	2,000	200	1.50	300
8.....	16.25- 17.50	1,000	100	1.25	125
9.....	17.50- 18.75	500	50	1.00	50
10.....	18.75- 20.00	500	50	0.75	37.50
11.....	20.00- 21.25	250	25	0.50	12.50
12.....	21.25- 22.50	250	25	0.25	6.25
Total.....		93,400	9,850		\$24,831

It is apparent that a change in the relative number of children per employee and a change in the proportionate number of employees in the different groups would alter the financial estimates, and

that a revision from time to time of the basic statistics would be necessary.

The grants were to be paid for dependent boys under fourteen and for girls under fifteen, and were to be made for illegitimate as well as legitimate children. No limits were placed on the number of children per family for whom the grants were paid. The sums for the maintenance of the children were to be paid monthly to the mother of the family or to whoever was in charge of the home, and not to the father. In a press release, the government pointed with especial pride to this feature and declared that "advantage has been taken of the opportunity afforded by the industrial difficulty which has arisen, to commence an Endowment of Motherhood scheme—a principle to which the government has been committed for some time."<sup>1</sup>

No definite statement was made in the bill itself as to the mechanism by which the mothers were to be paid; but in the hearings before the Select Committee of the Legislative Council, it developed that it was planned to send checks or post-office orders through the mails to the individual mothers. It was suggested at the hearing that it might be more economical to send the checks directly to the respective employers, who would then distribute them, upon application, to the mothers, thus removing the chances that the wrong parties might secure them, and at the same time lessening the cost of payment.<sup>2</sup>

If both fathers and mothers were employed, only one grant, of course, was to be paid. The grants were to be paid only to the children of any workman who had been a resident of the state for more than a month, and were not to be given during any strike in which the employee in question took part. Those employees whose net income exceeded £400 a year were also excluded from the

<sup>1</sup> "Children's Maintenance Bill," official article for transmission to the International Press, 1919.

<sup>2</sup> For the discussion of this and similar points, see *Report from the Select Committee on the Financial Provisions of the Maintenance of Children Bill, New South Wales Legislative Council*, 1919, pp. 21-23.



benefits of the act. It developed in the course of the debate in the Legislative Assembly, however, that the government intended to have the allowances paid during periods of involuntary unemployment and during lockouts as well.<sup>1</sup> In the former case, the burden was apparently to be borne by the public revenues, and in the latter by the employers themselves.<sup>2</sup>

The act also contained a provision allowing an employer to appeal to the State Court of Industrial Arbitration for exemption from the act, and if he could satisfy the Court "that it would be a hardship to exact from him payment in full of the assessment," then the court could recommend that a part or the whole of the assessment should be either remitted or postponed. It was in the discretion of the Minister of Labour whether he would follow the recommendations of the Court.

The debate in the Legislative Assembly over the bill was keenly waged.<sup>3</sup> The Labour members were virtually unanimous in opposing the bill and advanced three major attacks upon the measure. First, and probably most important, was their desire to retain the £3 17s. basic-wage judgment rendered by the Board of Trade. They made much of the fact that the Board of Trade was the government's own creation and that the ministry now refused to follow the decisions of its own body. Secondly, they objected to the partial nature of the measure and urged that all children, including both those of employer and employee, should be provided for. This burden, moreover, should not be borne by industry, but rather by society as a whole. The state should collect the

<sup>1</sup> See *Parliamentary Debates, New South Wales, Session of 1919 Legislative Assembly*, p. 2159:

Mr. Lang: "If some one is in work today—"

Mr. James [Minister of Labour]: "and out of work to-morrow the child will get the pay just the same."

Mr. Lang: "Now comes the question of a lock-out."

Mr. James: "The children will not be touched. Those parents are not out on strike."

<sup>2</sup> See Mr. James's statements, *ibid.*

<sup>3</sup> See *Parliamentary Debates, New South Wales, Session of 1919*, pp. 1744-60, 1853-74, 1882-1914, 1927-39, 1960-2000, 2050-2117, 2147-67 2207-23.

necessary sums, not from the employers on the basis of the number of workers employed, but from the general revenues of the community through the means of taxation. This, they urged, was far more equitable, since it would force the inactive capitalistic or *rentier* class to contribute from their incomes derived, as they are, from rent and interest. They, as well as others, also pointed out that the ability of an employer to contribute to such a fund was by no means indicated by the number of his workmen. Industries with a small amount of machinery would thus pay more per unit of turnover than professional workers with only a few clerks, or manufacturing concerns with expensive plant and equipment.

The government admitted that the measure covered only a part of the children who needed support, but said that the remainder would be taken care of in another measure which was to be introduced. It declared that industry itself, and not society at large, should be responsible for the children of its workmen, and that consequently the method of financing proposed was essentially sound. It did not deal, however, with the possible confusion which would be caused if the second proposed measure, with its necessarily different method of raising funds, were to be put into effect.

The third attack upon the bill was against the provision suspending payment if the father were out on strike. The Labour representatives declared that this was designed to break the fighting spirit of labor and to penalize legal as well as illegal strikes. In any event, children should not be made to suffer for the acts of their fathers. The government in reply pointed out that this was no new principle, since workmen who now went out on a strike did not of course claim pay from their employers, and that industry could not be made liable for the expense of maintaining children during periods in which work was available to the parents but the latter refused to take it, nor would the ministry accept the proposal that the government funds bear the cost of such payments.

The Nationalists, with the exception of a few of the more pronounced conservatives, who believed that the bill would undermine personal initiative, stood firmly behind the ministry, and within less than a month from the decision of the Board of Trade, the bill was passed by the Assembly. When presented to the Legislative Council (which is an appointed and not an elected body), the proposal after some discussion encountered more universal opposition.<sup>1</sup>

A committee was appointed to study the financial provisions of the bill and to report back to the Council. This body held hearings for two weeks, examining the chief administrative and statistical officers of the government.<sup>2</sup> Estimates were prepared of the probable cost under the declarations of the Board of Trade and under the maintenance-of-children bill. It was estimated that there were 427,000 adult male wage- and salary-earners in New South Wales in 1919, of whom 190,000 were considered to be under the awards of the state arbitration bodies, 90,000 either subject to the Federal Court of Arbitration or in occupations not covered by the bill (in rural industries, domestic service, etc.), and the remaining 147,000 in industries which were not then subject to the rulings of the arbitration bodies, but which would come under the new family-allowance system. It was assumed that, if the declaration of the Board of Trade of £3 17s. a week as the minimum were followed, all adults would "receive the full advance of 17s., with a deduction of 1s., to provide for a less advance to juniors."<sup>3</sup> This was in conformity with the usual practice followed in wage decisions in Australia, by which those already receiving more than the minimum were given the same absolute increase as those at the minimum. The federal awards

<sup>1</sup> For the debates in the Council see *Parliamentary Debates, New South Wales, Session of 1919*, pp. 2231-43, 2285-2321, 2365-95, 2451-64, 2515-18, 3145, 3189-99, 3201.

<sup>2</sup> *Report from the Select Committee on the Financial Provision of the Maintenance of Children Bill, New South Wales Legislative Council, 1919*, 68 pp.

<sup>3</sup> *Report*, p. 3.

were at that time appreciably higher than the previous award of £3, and it was estimated that the raising of the state wage scale would cause only an 8s. average increase for those under federal awards, and the same for those workers outside the scope of either the state or federal courts. The estimated cost in wages of increasing the minimum from £3 to £3 17s. was then found to be as given in Table XL. From this, however, was deducted the estimated percentage of time lost through unemployment when no wage would be paid, and this, upon past experience, was fixed at 7 per cent. Deducting this percentage, the Committee presented the figure of £11,930,000 as the probable total net increase in wages were the declaration of the Board of Trade to be followed.<sup>1</sup>

TABLE XL

Class	Number	Weekly Increase	Annual Amount
State unionists (under state awards).	190,000	16s.	£ 7,900,000
Federal unionists and others not under the bill . . . . .	90,000 }	8s.	4,930,000
Others . . . . .	147,000 }		
Total . . . . .			£12,830,000

In making the estimates of the cost which the maintenance-of-children bill would entail, it was estimated that, assuming £3 17s. to be the proper weekly sum for a family of four that included two children, £3 2s. would be the basic wage set for man and wife, and the cost of the two children would be 15s., or an average of 7s. 6d. The increase allowed by the bill would therefore fall into two classes: (1) the increase in the new basic wage over the old, (2) the cost of the grants to the children.

After deducting one-sixteenth because of the smaller advance given to juniors, and after estimating that no increase would be given to employees and others not under the bill, and that the third group (at that time not subject to the decisions of either the

<sup>1</sup> *Ibid.*

state or the federal arbitration courts)<sup>1</sup> would receive only one-half the increase given to the first, the estimate as to the total increases in the basic wage is given in Table XLI.

It was estimated that 337,000 male wage-earners would fall within the scope of the bill as regards the grants to children. The census statistics indicated that the average number of children per male employee of eighteen and upward was between .8 and 1.0. It was thought perfectly safe, therefore, to estimate that

TABLE XLI

Class	Number	Weekly Increase	Annual Increase
State unionists.....	190,000	1s. 10½d.	£ 930,000
Federal unionists and others.....	90,000	0	0
Others.....	147,000	11½d.	360,000
Total.....			1,290,000
Less 7 per cent for unemployment.....			90,000
Net cost.....			£1,200,000

for every male worker there would be one dependent child. There would, therefore, be approximately 337,000 children to be maintained at a weekly expenditure of 7s. 6d. each. The deductions covered by the sliding scale were expected to amount to 22 per cent. The cost of the children's allowance was therefore estimated to be as shown in Table XLII.

This was £5,410,000 less than the estimated cost on the other basis, and indicated that the method proposed would mean approximately only one-half the increased cost that the use of the four-member family as the norm would entail. No estimate was

<sup>1</sup> A very pretty question is raised as to the exact status of these employees under the bill. They were manifestly included, in so far as the grant to their children was concerned. Were they included, however, as regards the fixation of the basic wage? The clause covering this point was an amendment to the Industrial Arbitration Act, and the government statisticians treated this third group of 147,000 as still being outside the provision of the Board of Trade's declaration of the basic wage.

made of the probable increased cost that the inclusion of women under the plan would entail.

By the time the measure came to be voted on in the Legislative Council, the declaration of £3 17s. by the Board of Trade had become generally effective and had been applied in a number of industries. The majority of the members of the Council were distinctly opposed to the bill. Many felt that the plan was an unjustifiable repudiation of the Board of Trade's decision, which would be regarded as a breach of faith by the workers. It was feared that the taking away of this proffered increase would inevitably cause many strikes and much industrial unrest. Many

TABLE XLII

337,000 children at 7s. a week . . . . .	£6,570,000
Less 22 per cent for sliding scale . . . . .	1,450,000
	<hr/>
	5,120,000
To which should be added:	
Administration . . . . .	200,000
Estimated increased basic wage . . . . .	1,200,000
	<hr/>
Total . . . . .	£6,520,000

also considered the measure to be too great an innovation. The bill was accordingly defeated.

In 1920 the Holman government was defeated and a Labour ministry came into power. This government promised to introduce a child-endowment bill, and finally did so in 1921. No change was proposed in the basic wage, which was to continue as the amount necessary to support man, wife, and two dependent children. The bill provided<sup>1</sup> for the payment to the mother out of public funds of 6s. per week for every child under fourteen in excess of two. The size of this subsidy would be decreased by the excess of the family's income over the basic wage. Thus, if the basic wage were £4, and if a family with three children under fourteen had an income of £4 4s., the amount of the weekly allow-

<sup>1</sup> See New South Wales, "An Act to Provide for the Endowment of Motherhood, etc.," 1921, 8 pp.

ance for the third child would be only 2s. (that is, 6s. — 4s.). The allowances were to be paid to all those with such incomes, and were not to be confined to wage-earners alone. Small farmers, shopkeepers, and independent journeymen were thus to participate in the benefits. The government declared that the average weekly income for the year would be used as the basis for computation.<sup>2</sup> The bill also provided that in those cases where a person owned land or buildings for which he did not pay rent, his income from these sources should be considered as 5 per cent of their capital value.

It was pointed out by a friend of the measure, Dr. Richard Arthur, who had introduced bills calling for state aid to large families as early as 1916, that it would involve a vast amount of administrative machinery and expense to determine the weekly income of the family, and that to reduce the amount of the allowance by the amount of the income in excess of the basic wage did away with the incentive for a person to increase his income. Dr. Arthur proposed, therefore, that a flat allowance of 6s. should be paid for all children in excess of the second, irrespective of the family income. The government refused to accept this amendment, however, because of the extra expense that it would involve.

The payments were to be made only to British subjects and to those who had been in New South Wales for at least two years. If a mother were physically or mentally incapacitated for caring for her children, or if she were not of good character, or if she were not expending the money properly for the support of her children, the Minister of Health might transfer the sums to some other approved person. If he deemed it wise, he might also discontinue the payment of the allowances.

The additional cost caused by the bill was estimated by the government at £1,500,000 and by Dr. Arthur at £3,000,000. Although

<sup>2</sup> *Parliamentary Debates, New South Wales, Session of 1921*, p. 1823. Statement by Mr. McGirr, the minister in charge of the bill: "The payments vary according to their earnings in the year. In this case we will take the average earnings of the husband for the year."

this cost was to be met from the public revenues, no provision for raising the necessary funds was attached to the bill, nor were very definite declarations made by the ministry. At one time a state lottery was evidently depended upon, but this aroused a great deal of opposition on the part of the churches. Luxury taxes and an increase in the income tax were also proposed.

The division over the bill in the Legislative Assembly was along party lines. The Nationalists and the Progressives (the two opposition parties), with the exception of Dr. Arthur, who had advocated child endowment for years, opposed the bill. The dominant Labour party, however, succeeded in having it passed by the lower house.

The Legislative Council was apparently more favorably disposed to the bill than they had been to the proposal of the Holman government. The somewhat precarious financial situation of New South Wales at that time, however, combined with the fear that it would undermine personal responsibility, led the Council to reject this measure as well.<sup>1</sup>

The Labour government was in turn defeated in the 1922 elections, and a conservative ministry came into power, the premier of which, Sir George Fuller, declared himself opposed to child endowment by the state in any general form.

The differences between the Labour ministry's bill of 1921 and that of the Holman government are manifest. The later bill, by accepting the four-member family as the basis and by providing allowances only for children in excess of two per family, would not have decreased the sums received by single men, or by married men with no dependent children. It therefore would not have readjusted the inequality of income relative to need as between such workmen and those with one or two children. It would, however, have protected those families with more than two children. Furthermore, by the later measure the expense would have

<sup>1</sup> For the debates in both the Assembly and the Council over the bill, see *Parliamentary Debates, New South Wales, Session of 1920*, pp. 4083-4106; *Session of 1921*, pp. 847-60, 977-92, 996-1026, 1712-21, 1742-1837, 1858-72, 2298-2305, 2387-2421.



been thrown upon the taxpayers instead of upon the employers, according to the number and sex of their employees.

### III. THE REPORT OF THE AUSTRALIAN BASIC WAGE COMMISSION AND ITS AFTERMATH

The general discontent throughout the Commonwealth on the part of labor with the various wage awards led Mr. W. M. Hughes, the then prime minister of Australia and leader of the Nationalist party, to make the following promise in his policy speech at Bendigo on October 30, 1919, in the general election campaign of that year:

If we are to have industrial peace we must be prepared to pay the price, and that price is justice to the worker. Nothing else will serve. . . . The cause of much industrial unrest arises with the real wage of the worker. This real wage decreases with the increase in the cost of living. Now, once it is admitted that it is in the interests of the community that such a wage should be paid as will enable a man to marry and bring up children in decent wholesome conditions—and that point has been settled long ago—it seems obvious that we must devise better machinery for ensuring the payment as such a wage than at present exists. The government is, therefore, appointing a Royal Commission to inquire into the cost of living in relation to the minimum or basic wage. The Commission will be fully clothed with power to ascertain what is a fair wage and how much the purchasing power of the sovereign has been depreciated during the war. Also, how the basic wage may be adjusted to the present purchasing power of the sovereign, and the best means, when once so adjusted, of automatically adjusting itself to the rise and fall of the sovereign. The government will at the earliest possible date create effective machinery to give effect to these principles.<sup>1</sup>

Three representatives of both workmen and employers were appointed on nomination by their respective national organizations, and they in turn selected Mr. A. B. Piddington as chairman.<sup>2</sup> The Commission was asked to inquire into three matters: (1) "the actual cost of living at the present time, according to

<sup>1</sup> *Age*, October 31, 1919. Quoted in *Report of Royal Commission on the Basic Wage*, No. 80, 1920, pp. 7-8.

<sup>2</sup> A satisfactory short account of the Commission, its problems and its work, is that of Professor H. Heaton, "The Basic Wage Principle in Australian Wages Regulation," *Economic Journal*, XXXI (September, 1921), 309-19.

reasonable standards of comfort, including all matters comprised in the ordinary expenditure of a household for a man with a wife and three children under fourteen years of age and the several items and amounts which made up that cost"; (2) "the actual corresponding cost of living during each of the last five years"; (3) "how the basic wage may be automatically adjusted to the rise and fall from time to time of the purchasing power of the sovereign."<sup>1</sup>

The Commission conducted a most searching inquiry for over eleven months, during which they held one hundred and fifteen public sittings in the seven principal cities of the Commonwealth, examining approximately eight hundred witnesses, and, in addition to receiving nearly six hundred exhibits, conducted extensive independent investigations.

The employers attempted to have the letters patent creating the Commission altered so that the inquiry might be limited to "the humblest worker," but failed to induce Mr. Hughes so to instruct the Commission. After making its inquiry, the Commission refused to consider this basis, and declared instead that "reasonable standards of comfort" should be determined, "not by reference to any one type or group of employees, but by reference to the needs which are common to all employees, following the accepted principle that there is a standard of living below which no employee should be asked to live."<sup>2</sup> In effect, therefore, the Commission reaffirmed the broad standard laid down by Justice Higgins in the *Harvester* case, namely, "the normal needs of the average employee regarded as a human being in a civilized community." The Commission's analysis of what were the proper items in such a standard was most careful and detailed.

1. *Rent*.—The Commission ruled that a five-room house with plumbing and a bathtub was the undeniable minimum of decency

<sup>1</sup> *Report of the Royal Commission on the Basic Wage, Parliament of the Commonwealth of Australia*, No. 80, 1920, p. 4.

<sup>2</sup> *Ibid.*, p. 17.

for a family of five. The cost of such a house they found to be, in Melbourne, £1 os. 6d. per week, and approximately the same in the other large cities, with the exception of Brisbane, where the cost was estimated at 17s. weekly.

2. *Clothing*.—The union representatives brought in an estimated minimum annual clothing budget of between £194 and £195 (approximately \$950) for the family.<sup>1</sup> The employers objected to this budget as unduly extravagant, and presented a counter-budget of £105, which the unions did not accept. The Commission then conducted an independent investigation, and framed a clothing budget providing such items for the husband as two-thirds of a suit a year plus two pairs of working trousers, an overcoat once in four years, two pairs of boots a year, plus a pair of shoes every two years. The wife was allowed a hat a year, plus another cheaper hat every two years, one winter costume every three years and one summer costume every three years, plus two skirts in three years, and approximately four blouses a year. Two pairs of shoes and a pair of slippers were also allowed. This clothing budget amounted to slightly under £82, but the Commission deducted 3 per cent from this as the probable savings that would be effected at sales, and 5 per cent as a rough allowance for savings secured through home sewing and the cutting down of garments. The total allowance for clothing in Melbourne was fixed at £75 6s. 5d. or approximately 40 per cent of what the workers had claimed and 28 per cent less than what the employers had been willing to allow.

3. *Food*.—The unions made a decided effort to get the Commission to agree that the Australian workers needed many more calories per day than Americans or Englishmen. The Commission, however, accepted the standard estimate at Atwater of 3,500 calories, and treated the family of five as equivalent to 3.30 adult males in their food consumption. The Commission then agreed

<sup>1</sup> One workingman witness testified that he required five tailor-made suits a year!

upon a dietary that would yield the necessary number of calories, using the food values adopted by the Food Supply Committee of the Royal Society in 1916. These items were then priced in the various cities, and the weekly cost for the "standard" family was found to range from £2 3s. 1½*d.* in Brisbane to £2 8s. 11¼*d.* in Hobart. For the four intermediate cities, the variation in cost fell within a range of approximately 2s.

4. *Miscellaneous items.*—A number of items which Justice Higgins had lumped together approvingly in his 1907 decision, and which the union representatives sought to have included, were rejected by the Commission as unnecessary ingredients of the comfort standard. Among these were life insurance, unemployment insurance, old-age annuity, church and charity, alcoholic and "soft" drinks, and tuition in music and art. Miscellaneous items that were admitted were fuel and light, laundry and kitchen requisites, renewal of household linen, crockery, lodge and union dues, medical and dental care (about \$10 a year), amusements, recreation, and library (\$25 a year), fares, and school requisites. The total allowed weekly for these miscellaneous items ranged from 19s. 10*d.* in Hobart to £1 1s. 2½*d.* in Adelaide and Perth.

5. *The totals.*—The whole budget gives evidence of having been carefully and conservatively drawn up, and the Commission found that the cost of this budget for a family of five in 1920 and in 1914 for each of the principal cities was as shown in Table XLIII.

This report, unanimous in so far as it concerned itself with the cost of the given standard of living in these years, was of extraordinary significance when compared with prevailing wages as fixed by arbitration bodies. The highest wage level had just recently been set in New South Wales, amounting to £4 5s.<sup>1</sup> The Commonwealth Court, a short time before, had raised wages in

<sup>1</sup> This, it should be remembered, was on the basis of a family of two children, and not of three, as was the standard followed elsewhere in Australia.

two trades to £4 2s., but the vast mass of employees under their jurisdiction received appreciably less than this. In South Australia the basic wage was only £3 15s.; in Tasmania, £3 17s.; and the prevailing basic wage in Melbourne seems to have been about £3 16s. The sum fixed by the Commission was therefore approximately 36 per cent above the highest wage set (that of New South Wales), and about 53 per cent above the general minimum prevailing elsewhere. Furthermore, it was evident that the wages set by the arbitration courts had always been less than the money needed in the various years to purchase the equivalent of this

TABLE XLIII

City	Cost per Week	
	1920	1914
Melbourne.....	£5 16s. 6d.	£3 7s. 9d.
Sydney.....	5 17 0	3 12 6
Brisbane.....	5 6 2	3 4 11
Newcastle.....	5 15 6	.....
Adelaide.....	5 16 1	3 11 4
Perth.....	5 13 1	3 13 11
Hobart.....	.....	.....

standard. Thus the Commission found that in Sydney in 1914, £3 12s. 6d. was necessary to secure the agreed commodities for a family of five, yet in that year Justice Heydon had fixed £2 8s. as the minimum. It would have been necessary to increase this wage by approximately 50 per cent to bring it up to the standard of the Commission, less a deduction for the fact that Justice Heydon's decision provided for only two children, while the Commission was providing for three. Justice Higgins' award of £2 2s. in 1907 was also shown to have been distinctly inadequate when judged by this standard, and his allowance of only 9s. 6d. weekly for clothing and miscellaneous expenditures to have been a very great understatement.

The report of the Commission was presented to the prime

minister on November 19, 1920, and proved to be a veritable bombshell. The unionists were delighted at the figures set, while the employers were struck with consternation. Mr. Hughes immediately called upon Mr. Knibbs to furnish him with data as to the ability of industry to pay a wage adequate to meet the standard set. Two days later, Mr. Knibbs submitted a memorandum and stated that

such a wage cannot be paid to all adult employees because the whole produced wealth of the country, including all that portion of produced wealth which now goes in the shape of profit to employers, would not, if divided equally amongst employees, yield the necessary amount.<sup>1</sup>

This memorandum was of a confidential nature, and portions of it only have been made public. But by the courtesy of the present commonwealth statistician I have been furnished with the most important data upon which Mr. Knibbs based his conclusions. These were figures for manufacturing in the whole commonwealth and for mining in New South Wales, giving the amount of capital invested, the amount of net profits and interest, and the percentage which this net profit and interest formed of the invested capital, and showing how much this would amount to weekly if distributed equally among all employees.

In the case of manufacturing, the invested capital is made up of three items: (1) value of land and buildings, (2) value of plant and machinery, (3) value of manufactured and partly manufactured goods and raw material on hand. The first two items had been previously supplied by the manufacturers, while the third item was "estimated on the assumption that on the average there is a complete turnover three times a year."<sup>2</sup> The amount of profit was computed by deducting "wages, fuel, overhead charges, and estimated allowance to working proprietors"<sup>3</sup> from the value add-

<sup>1</sup> Quoted in Piddington, *The Next Step*, p. 22.

<sup>2</sup> Letter from the Commonwealth Bureau of Census and Statistics to the author, January 8, 1923.

<sup>3</sup> *Ibid.*

ed by manufacture during the year, but no allowance was "made for interest (if any) payable on borrowed capital,"<sup>1</sup> or indeed for advertising.<sup>2</sup> The figures for manufacturing are given in Table XLIV.

TABLE XLIV

THE ABILITY OF AUSTRALIAN MANUFACTURING INDUSTRIES TO BEAR  
INCREASED WAGES, 1913-18

YEAR	ESTIMATED CAPITAL INVESTED	INTEREST AND NET PROFIT		INTEREST AND NET PROFIT PER EMPLOYEE PER WEEK
		Amount	Percentage on Capital	
1913.....	£117,148,241	£17,788,279	13.48	17s. 10d.
1914.....	124,880,083	16,154,833	12.94	18 8
1915.....	126,802,881	16,862,145	13.30	19 9
1916.....	131,212,049	17,013,610	12.97	20 7
1917.....	146,971,590	19,717,076	13.42	23 6
1918.....	158,577,255	22,090,452	13.93	25 10

Table XLV shows the same data for the coal mines of New South Wales.

TABLE XLV

THE ABILITY OF COAL MINES IN NEW SOUTH WALES TO BEAR  
INCREASED WAGES, 1914-18

YEAR	COAL MINED (TONS)	APPROXIMATE ANNUAL PROFIT		APPROXIMATE PROFIT PER MINER PER WEEK
		Per Ton	Aggregate	
1914.....	10,390,662	1s. 3d.	£649,414	12s. 7d.
1915.....	9,449,008	1 2	551,192	11 9
1916.....	8,127,161	1 1	440,221	10 1
1917.....	8,292,867	2 1	863,840	19 3
1918.....	9,063,176	1 11	868,554	19 10

These statistics tell their own story. If they are to be believed, had the advertising costs and all the interest and profits in manufacturing been divided equally among the workers in 1918, wages would have been increased by only 25s. 10d., and in mining by 19s. 10d. Because of the general increase in the price level by

<sup>1</sup> *Ibid.*

<sup>2</sup> Letter from the Commonwealth Bureau of Statistics, June 18, 1923.

1920, they would undoubtedly have amounted to something more in absolute terms, but it is improbable that they would have been sufficient to meet the general increase of from 31s. to 41s. a week, the sum that would have been necessary had £5 16s. been declared as the universal basic wage.

Immediately upon receiving Mr. Knibbs's memorandum, Mr. Hughes called Mr. Piddington into conference, and at five o'clock in the afternoon asked Mr. Piddington to prepare a memorandum on the following six points: (1) the true incidence of the cost of living; (2) how the findings of the Commission as to the cost of living may be distributed between (a) man and wife, (b) each of three dependent children; (3) how the said findings of the Commission can be made effective so as to secure for every employee the actual cost of living according to its true incidence, accepting the finding of £5 16s. as the actual cost of living for a man, wife, and three children; (4) the effect upon industry, domestic and in foreign countries, of making a basic wage for all employees of £5 16s.; (5) the effect of that course upon prices and the actual realization of the desired standard of comfort; (6) the effect upon the Commonwealth's obligations to its employees, permanent and temporary, of whatever course is adopted.

That evening Mr. Piddington submitted to the prime minister a personal memorandum on these points which caused almost as much discussion as the report of the Commission itself. He cited the Australian Census of 1911 to show that there were then 975,000 male wage-earners, but only 879,400 children under fourteen, or an average of .9 per male employee. Moreover, 438,700 of the male employees at that time were not married. Estimating the number of employees in 1920 to be 1,000,000, the number of children to be 900,000, and with other figures corresponding, he pointed out

that at present the industries of the Commonwealth pay as if the children were 3,000,000 (i.e., three children for each of 1,000,000 employees).<sup>2</sup> In

<sup>2</sup> That is, ignoring the basis for the state awards in New South Wales.



point of fact, the children of employees in the Commonwealth number 900,000. Thus industries now pay for 450,000 non-existent wives; 2,100,000 non-existent children.<sup>1</sup>

In reply to the second question, Mr. Piddington estimated that the £5 16s. which the Commission fixed as the cost of living could be allocated between man and wife and the children on the basis of £4 for the man and wife and £1 16s. for the three children, or 12s. apiece.

Mr. Piddington then followed with his constructive suggestion for a family wage, in the following words:

(a) To secure the actual cost of living for each employee according to its true incidence, it is desirable that every employee should receive enough to keep a man and wife: (1) because during bachelorhood, which ends, on the average, for the whole Commonwealth at the age of 29, ample opportunity should be provided to save up for equipping the home, (2) because a man should be able to marry and support a wife at an early age. The figures as to 450,000 non-existent wives may therefore be disregarded.

(b) Every employee must be paid the same amount of wages; otherwise, the married men with children will be at a disadvantage. There is no conceivable reason, either on economic or humane grounds, why an employer's obligation to each individual employee should vary with the number of that employee's children.

(c) There is, however, every reason why employers as a whole throughout the Commonwealth should pay for the living needs of their employees as a whole. Indeed, that they should do so is the basis of the whole theory of the living wage. The proposal below for a tax upon employers as a whole is based upon this consideration.

(d) The desired result can be secured by a basic wage of £4 per week paid by the employer to the employee and the payment of an endowment for all dependent children, whether three, or less, or more, in the family, at the rate of 12s. per week.<sup>2</sup>

Mr. Piddington pointed out that, £4 being the cost of maintaining a man and wife, every wage-earner's family which had even one child was in practice receiving less than enough to maintain a comfort standard, while if the family had three or more

<sup>1</sup> *Report of the Royal Commission on the Basic Wage*, pp. 89-90.

<sup>2</sup> *Ibid.*, p. 90.

children, the shortage was formidable. Yet, were all the adult male workers paid enough to maintain three children, the families with more than three dependent children would suffer privation, while the married men with less than three children, and especially the single men, would receive far more than was actually needed for their support. He then went on to compare the probable cost of increasing the basic wage to £5 16s. with that of adopting the family-endowment system. Assuming that the existing basic wage was £4 a week, the weekly increase of £1 16s. for the 1,000,000 employees would total £93,000,000, or 31 per cent of the total income in 1918, which had been set at £298,000,000. If, however, the child-endowment plan were adopted with no change in the basic wage, but with a weekly allowance of 12s. per child, the total annual payment for the 900,000 children would amount to £28,080,000; that is, a saving of £64,920,000 would result from not paying for "the 2,100,000 non-existent children."

A yearly contribution on the part of the employers of £27 15s. a year, or 10s. 9d. a week, for every employee would be sufficient to provide this subsidy for the children. The basic weekly wage bill for the employers would therefore be only £4 10s. 9d., as contrasted with the £5 16s. which would be necessary if all males were paid a wage adequate to maintain a family of five.

The remainder of the memorandum was devoted to a discussion of some of the probable effects of increasing wages to £5 16s. a week. It was predicted that the export industries, producing some 38 per cent of the national income of 1918, would be maimed in the case of manufacturing and severely crippled in that of the primary industries. So far as domestic industry was concerned, Mr. Piddington believed that the increase in wages would result in an increase in prices, although this would amount to only one-half the increase in wages, on the assumption that the labor cost was 50 per cent of the value. This increase in prices would render the new wage of £5 16s. in turn inadequate, although not as inadequate as before. If the given standard of living were contin-

ued, a further increase in wages would be necessary, which in turn would be accompanied by a further increase in prices, and so on. With every increase the export trade would, of course, find it more and more difficult to compete against other countries.

On the next day, Mr. Hughes read in Parliament parts of the memoranda prepared by Mr. Knibbs and Mr. Piddington, and declared: "One thing I do reject absolutely and without reservation: I reject because of its impossibility, any proposal to pay £5 16s. a week to all persons in this country whether they have children or not."<sup>1</sup> He refused to make any definite commitment in regard to the child-endowment plan prepared by Mr. Piddington, contenting himself with saying that the government was studying the matter further.

Less than three weeks later, the government announced that it was increasing the wages of its own married employees from the previous minimum of £3 15s. 4d. a week to £4. Single men, who had previously been given by the public service arbitrator, Justice Starkey, a lower wage of £3 2s. 4d., were granted an annual increase of £12, to equal the increase in the basic wage granted to the married men. In addition, a weekly endowment of 5s. for every dependent child was granted. The announcement of this latter point was accompanied by the statement that "it was not suggested that this amount was sufficient."<sup>2</sup> Three rates of wages were thus set up: a weekly minimum for single men of £3 6s. 11½d., £4 for married men, and above this, rates which increased 5s. with every dependent child. These wages have since been confirmed by the public service arbitrator.<sup>3</sup>

In 1921 Mr. Piddington brought out an amplification of his views in a pamphlet, *The Next Step—A Family Basic Income*.<sup>4</sup> Three new points of importance are here developed by Mr. Pid-

<sup>1</sup> *Parliamentary Debates, Commonwealth of Australia, Session of 1920*, p. 6819.

<sup>2</sup> Piddington, *The Next Step*, p. 27.

<sup>3</sup> *Ibid.* (second impression), p. 65.

<sup>4</sup> Published by Macmillan & Co., Melbourne.

dington. First, he attempted to estimate the number and percentage of the members of workers' households that were adequately and inadequately provided for by the Harvester wage and its revisions. Concluding that this wage had been sufficient to support man, wife, and one child, he computed that it was just adequate for 9.8 per cent of all the members of working-class families; it was more than adequate for 31.8 per cent of the working-class population (that is, those who were unmarried and those couples who either had no children or whose children had grown up); while for 58.4 per cent it was inadequate.<sup>1</sup>

The second feature was the suggestion that such businesses as might be suffering from a severe but temporary depression might secure the remission or suspension of a part or the whole of the tax levied upon them, by the decision of an official expert. Mr. Piddington seems not to be certain whether the endowment to the children as a whole should be correspondingly reduced in such cases, or whether the deficit should be met from the general revenue, for in one place he suggests the former<sup>2</sup> and in another the latter.<sup>3</sup>

The final new item is an argument which had been advanced in New South Wales by advocates of both the 1919 and 1921 proposals, namely, that the family-endowment plan is necessary to increase the population of Australia so that the vacant land may be populated, and thus strengthen Australia's opposition against the immigration of Orientals.<sup>4</sup>

The Australian unions have endeavored to have the basic wage of £5 16s. established as the minimum for all workers, and have bitterly attacked Mr. Hughes for what they regard as the breaking of the Bendigo pledge. They have also attacked some of

<sup>1</sup> *The Next Step*, p. 18.

<sup>2</sup> *Ibid.*, p. 50.

<sup>3</sup> *Ibid.*, p. 63.

<sup>4</sup> *Ibid.*, pp. 56-57. For a further development of Mr. Piddington's views on this subject, see his article in the *New Outlook*, July 26, 1922, pp. 168-69

the computations made by Messrs. Piddington and Knibbs. Thus, they have pointed out that the former considered only dependents under fourteen and took no account of those over that age who were either wholly or partly dependent upon the wage workers.<sup>1</sup>

They also attacked the use of £298,000,000 as a basis for computing the national income. They pointed out that, with the 37 per cent increase in prices, the value in 1920 of the same physical yield would be £409,000,000.<sup>2</sup> Furthermore, they showed that these figures covered only agriculture, grazing, dairy, poultry, and bee farming, forestry and fisheries, mining, and manufacturing, and that a number of items were omitted, such as (1) value added by wholesale and retail trade, (2) value of government services, including the military and naval forces and civil officers, (3) professional and domestic service, (4) transportation, (5) building and construction, (6) rent of buildings not used for commercial purposes, (7) banking, insurance, etc., and (8) output of bakeries and of factories employing less than four persons, which had not been included in the official statistics for manufacturing.<sup>3</sup> It is thus probable that the total national income was considerably in excess of the figures of Mr. Knibbs, which were quoted by Mr. Piddington. It is not clear, however, that these criticisms affect Mr. Knibbs's figures as to the capacity of industry to pay higher wages. Most of the items suggested by the labor representatives constitute additional main sources of national income. Save for the very pertinent suggestion that prices and profits should be reckoned in terms of 1920 conditions instead of those of 1918, they do not expand the figures given for those industries which were used by Mr. Knibbs. Mr. Knibbs's fundamental position, there-

<sup>1</sup> *The Basic Wage Betrayal*, published by the Committee of the Conference of Federated Unions, p. 6

<sup>2</sup> This claim has been approximately confirmed by the more recent statistics of the Bureau of Census and Statistics, which has fixed £402,200,000 as the probable total product in 1920-21. *Prices, Purchasing Power of Money, Wages, Trade Unions, Unemployment and General Industrial Conditions*, 1921, p. 110.

<sup>3</sup> *The Basic Wage Betrayal*, pp. 10-12.

fore, has not as yet been successfully overthrown. His data for manufacturing and mining indicate that, even had the profits and interest been reckoned in terms of the increase in the price level from 1918 to 1920, it is most doubtful whether their entire amount would have been sufficient to meet the increase in wages which the payment of £5 16s. as the basic minimum would have necessitated.

#### IV. MORE RECENT DEVELOPMENTS

In 1921 the Queensland government, in an arbitration case concerning the payment of its employees, offered to adopt the child-endowment system for government service. This was rejected by the public-service unions, who expected, as Mr. Piddington believes, that the Arbitration Court would adopt the plan and thus relieve the unions of the burden of voluntarily accepting such a measure at the very time when the other unions were demanding that all workers should receive the "five-person" wage.<sup>1</sup> The Court, however, felt that it did not have power by itself to institute such a system and that legislation was needed. It therefore granted no increase at all, but continued the previous wage of £4 5s.

The various arbitration courts have uniformly refused to establish the basic wage computed by the Commission of 1919-20. Justice Powers, of the Commonwealth Court, in denying the application for £5 16s. as the minimum, indorsed the child-endowment plan as the only way out of the situation, saying:

I am satisfied from the inquiries I have made myself that it [the basic wage for two, plus an allowance for every child] is practicable and that it would do more to make the people who are now in an intolerable position more satisfied than they would be by any other method. Pending legislation, however, the present basic wage must be continued. The present basic flat rate does not give the other 154,000 husbands with families of more than three young children enough to keep them in any sort of comfort, and those with large families on the basic wage must have a miserable existence. . . .

<sup>1</sup> Piddington, *The Next Step* (second impression), p. 65.

The method proposed [child endowment] will, if adopted, remove the greatest cause of industrial discontent and misery, namely, the inability of many workers to feed their children properly and clothe them decently, however hard they work.<sup>1</sup>

Justice McCawley, of the Queensland Court of Arbitration, also, while denying the claim that all adult male workers should receive £5 16s., approved the principle of the child-endowment measure, as follows:

The effect of prescribing an equal basic wage for men married and single is that the single men are enabled to maintain a higher standard of life than are the married men, their wives and their children. . . . If justice to the worker requires that regard should be had to the greater social needs of the average married man, so that his standard may be approximately equal to that of the average single man, and if justice is the price of industrial peace, it is obvious that we are not paying the price and also obvious that in this respect this court has not the power to do such justice.<sup>2</sup>

It will be noticed that both these courts, while approving the measure, believed legislative action to be necessary before it could be instituted.

The New South Wales and Tasmanian arbitration bodies have also refused to establish the basic wage at the figure of £5 16s. or its equivalent. The plan of child endowment has also attracted attention in New Zealand. Justice Frazer, president of the New Zealand Arbitration Court, has said that "it was the one remedy for the injustice of taking account of the average family,"<sup>3</sup> but that the court could not by itself institute such a measure.

A motherhood-endowment bill was introduced into the New Zealand Parliament in 1922 by a Labour member, which called for a state grant of 10s. a week for the third and subsequent children.<sup>4</sup> This bill, however, was not passed.

<sup>1</sup> Commonwealth Court of Conciliation and Arbitration (No. 135 of 1920), *Federated Employees Industrial Union vs. Metropolitan Gas Company*, pp. 33-35.

<sup>2</sup> Decision of Queensland Court of Industrial Arbitration, published in *Queensland Government Gazette*, February 24, 1923, p. 665.

<sup>3</sup> Piddington, "A Coming Reform," the *New Outlook*, I (July 26, 1922), 168.

<sup>4</sup> *Industrial and Labour Information*, No. 4, 1922, p. 305.

Wages, however, are now in general nearer the minimum set by the Basic Wage Commission for a family of five than they were before. Thus, in Melbourne, at the beginning of 1924, the basic wage set by the Arbitration Court was £4 11s. 6d., as compared with the then existing cost of the Commission's standard of £5 5s. 6d., or a difference of approximately only 15 per cent.<sup>1</sup>

The more recent attitude of Australian labor to the proposal has been interesting. While there was a continual campaign for the establishment of £5 16s. as the basic wage for all, the New South Wales State Conference of the Australian Labour party in April, 1921, submitted a motion to the Federal Labour party recommending that the latter should favor "a comprehensive national scheme" which

would provide for (a) the fixation of a basic wage for a man and wife, founded on the stabilized cost of living; (b) the maintenance of all children of the nation by a direct charge on the whole community by means of a graduated tax on all incomes.<sup>2</sup>

It will be noticed that this was substantially the plan proposed both in the New South Wales bill of 1919 and by Mr. Piddington, save that it called for the raising of funds for the child endowment by the state through a progressive tax on incomes, instead of by a levy upon the employers according to the number of their employees.

The All-Australian Congress of Trades Unions in their meeting of 1921 passed two resolutions. The first was

that this congress adopts the findings of the Federal Basic Wage Commission in their entirety and calls upon the Prime Minister, the Federal Government, and the State government, to take action to give *all*<sup>3</sup> workers the benefit of the wage prescribed by the commission.<sup>4</sup>

<sup>1</sup> I am indebted to Mr. J. T. Sutcliffe, supervisor of labor statistics of the Commonwealth Bureau of Census and Statistics, for this information.

<sup>2</sup> Quoted in Preface to Piddington, *The Next Step*.

<sup>3</sup> Italics mine.

<sup>4</sup> Quoted in Piddington, *op. cit.*, pp. 65-66.



The second, which was carried unanimously, pledged the Congress

to endorse the principle of the endowment of motherhood and childhood . . . such payments to be a charge on the whole community and to be recognized as an individual right and not associated in any way with the economic circumstances of the husband or father.<sup>1</sup>

There was thus a combination of the child-endowment scheme with the £5 16s. basic wage for all.

Mr. Piddington and Dr. Arthur have been carrying on a campaign to popularize their plan and have addressed important labor bodies upon it.<sup>2</sup> While they have evidently been making some impression upon the labor movement, their proposal has been bitterly attacked by the more radical elements, particularly by the single men. Thus a letter to the *Labour Call*, of Melbourne, labels it as a "child stock-breeding plan" and declares that "childless wage-earners [are] heavily fined to help the breeding of fourteen-year-olds." The letter concludes with the statement:

Are we not split up enough already, without dividing into single versus married camps? Child-endowment? Yes! By all means! But at the public cost, not at the cost of the single wage-earners and those whose children are fourteen years of age.<sup>3</sup>

The Australian Labour party at its Easter conference in 1923 discussed the subject of allowances for mothers and children. The conference declared in favor of "the principle of motherhood and childhood endowment," and after urging that "active propaganda be immediately commenced in each state to achieve this object," voted to appoint a committee to draw up a detailed scheme. One of the delegates remarked that although labor had opposed Piddington's scheme, they could not produce any substitute as definite as Piddington's, and that it was essential that they

<sup>1</sup> Quoted in Piddington, *op. cit.*, p. 66.

<sup>2</sup> See the very sympathetic account of Mr. Piddington's discussion before the Melbourne Trades Hall Council, in the *Labour Call*, February 15, 1923, p. 8.

<sup>3</sup> Letter of Harry E. Langridge, *Labour Call*, December 28, 1922, p. 4.

go before the country with a well-worked-out plan.<sup>1</sup> The Victorian Labour party in its 1924 platform declared for a capital levy to extinguish the public debt, and demanded that the sums hitherto paid out in interest should be devoted to providing mothers with allowances for their children. In 1924 the Labour party was victorious in virtually all of the states and thus came into power. This has made their leaders distinctly cautious about motherhood and child endowment. Thus Mr. Prendergast, who was the Labour premier of Victoria, declared that this was a matter for the federal government, and not for the states to consider.<sup>2</sup> The Home Secretary of Queensland, Mr. Stopford, has recently taken a similar position.<sup>3</sup> Since Labour is not now in control of the federal Parliament, this attitude has been criticized by some as an attempt to shift responsibility and Mr. Prendergast was accused of throwing the women and children "over the fence into the federal arena."<sup>4</sup>

The ambiguous policy of the labor groups has been accentuated in recent months by the refusal of the interstate conference of the various Labour parties to approve a resolution which pledged the Labour party, upon its assuming power in the federal government, to the passage of a child-endowment measure.<sup>5</sup> The plan proposed was for a grant from the public funds of 5 shillings per week for each child up to the school-leaving age, with the necessary revenue to be raised by a levy upon capital. Another resolution which merely called for the general extension of the endowment of motherhood was also voted down. It seems to be apparent that labor's enthusiasm for the proposal diminishes rapidly as its prospects for assuming power increase. Nevertheless, the South Australian as well as the Victorian Labour party

<sup>1</sup> For a report of this conference see the *Labour Call*, April 26, 1923.

<sup>2</sup> *Melbourne Argus*, June 3, 1924.

<sup>3</sup> *Monthly Notes*, British Family Endowment Society, January, 1925, p. 1.

<sup>4</sup> *Melbourne Argus*, June 3, 1924.

<sup>5</sup> *Monthly Notes*, Family Allowance Society, January, 1925, p. 1.

is pledged to the plan, and there is a strong sentiment in favor of some form of family allowances.

It nevertheless seems, on the whole, undeniable that the drift in Australian thinking is distinctly toward making provision for those working-class families who have a large number of children, instead of establishing a uniform minimum for all, irrespective of the number of dependents.

Two points of struggle will undoubtedly develop: first, the basis of need to be used in fixing the basic wage; and, second, the question whether the allowances are to be paid from government funds or the direct contributions of employers. The unionists, in order not to offend those of their members who are unmarried or who have few or no children, will naturally try to have the basic wage, to be paid to all regardless of dependents, as high as possible. If the example of the New South Wales bill of 1921 is significant, labor may stand for the continuance of the four- or five-member family as the standard.

Labor, moreover, wants to have the extra expense for the maintenance of children met from the public funds, because it believes that by means of income and inheritance taxes it will be able to throw the burden upon the wealthier classes. The workmen are afraid that, if the contributions were paid by the employers, the result would be an increase in prices which would be borne largely by the working class itself in its consuming capacity, and hence would render its gains illusory. Since the Labour party is now dominant in most of the state parliaments and may well capture the next elections, the next few years may witness some interesting developments in the line of wage regulation and motherhood endowment.

### PART III

## SOME LARGER ASPECTS OF THE FAMILY ALLOWANCE SYSTEM



## CHAPTER XII

### THE PROBLEM OF THE BASIC WAGE

There are two main sets of questions which must be answered before we can decide whether or not it would be good social policy to introduce a family allowance system in this country. The first is whether such a plan is, in its broad outlines, desirable; while the second is whether the many puzzling problems involved in the details and the administration of such a system can be solved satisfactorily.

Since we may think more clearly about the social value of any institution if we first examine its various aspects in detail and if we know with some precision just how it may be expected to work, we shall take up the latter of these two sets of problems first.

The three succeeding chapters will therefore try to outline what, in the author's opinion, would constitute at once the most workable as well as the most desirable system of family allowances to institute. The larger aspects and problems which such a system would necessarily raise will then be discussed and evaluated.

The problems involved in devising an efficient and ideal system of family allowances seem to fall within three main groups, namely, those connected with: (1) the basic wage for employees, (2) the allowances paid in behalf of dependents, and (3) the agency through which the allowances are to be paid and the many problems of administration which will necessarily arise.

The chief problems which are involved in each of these groups will now be taken up in order and considered in this chapter and in the two that follow.

# I. UPON WHAT STANDARD OF LIVING SHOULD THE BASIC WAGE BE PAID?

As has been shown in chapter i, there are no less than four main "levels" of living for working-class families, namely, the poverty, the subsistence, the subsistence-plus, and the comfort standards. Since the first does not really provide for all the actual needs of the family and keeps them from great destitution only by allowing them to draw upon their vitality and their accumulated stock of clothing and furniture, we cannot regard it as adequate. The comfort standard, on the other hand, is urged by many as the necessary minimum for all workers and is that which ostensibly has been adopted in Australia. It would probably be unwise, however, to make this the universal minimum at the present time, for if large groups of workers were once assured the comforts of life for themselves and their families, they would lose a large part of their incentive to work. It seems better, therefore, at least while our national production is as low as it is, to guarantee maintenance only on a subsistence or a subsistence-plus basis. This would at once furnish a physical basis of life to all and yet would stimulate individuals to secure additional comforts by their own efforts. This would certainly be a healthier situation than if all were guaranteed the amenities of life without effort or initiative upon their part.

The real issue is therefore between the subsistence and the subsistence-plus standards. The latter would permit families to enjoy a few of the decencies of life without making inroads upon their health. Some will undoubtedly object that even such a standard would also dull the incentive to effort. This objection will be considered in detail later, but in view of the fact that persons on a bare subsistence standard will ordinarily purchase these decencies anyway at the expense of more vital needs, it seems only reasonable to provide them with enough so that they will no longer be compelled to make this sacrifice. The conclusion is, therefore, that both the basic wage and the allowances

should be computed in terms of the subsistence-plus, or the minimum health-and-decency standard of life.

## II. WHAT IS THE PROPER MINIMUM WAGE FOR ADULT MALE WORKERS?

The analysis given in chapter iii demonstrated that the family of five must be abandoned as the basis for fixing men's wages. A type of family that is characteristic of not more than 8 or 9 per cent of the wage-earners and which is larger than that which approximately 80 per cent of the workers possess can certainly not be taken as the standard by which to measure the wages of men. The most numerous class are the single men and those who are married but have no dependent children. Probably not far from 60 per cent of the male wage-earners in England and between 50 and 60 per cent of those in this country fall into one or the other of these two classes. To fix a wage for all based upon the probable 8 or 9 per cent that have a wife and three children would be to pay three-quarters of the men vastly more than they need. To choose two children as the standard would mean paying not far from 65 per cent more than they need, while even a standard based on one child would be excessive for over half the men.

It seems apparent, therefore, that if an accurate minimum is to be fixed, it should be the cost of living either for a single man or for a man and wife without dependent children.

The fixation of such a minimum will not entail any hardship upon those that have more dependents, if the allowances for these dependents are adequate to meet the cost of their support. They will have additional mouths to feed, it is true, but they will be given the wherewithal to feed them. The failure of the European systems to provide adequate allowances for children and for other dependents has prevented a scientific adjustment of the basic wages of the men. These have, in consequence, generally continued to be more than sufficient for the unmarried man and, in a



large percentage of the cases, for those married couples who have no children. Should the allowances granted in this country be inadequate, it would be inequitable to scale the wages of men down to a point just sufficient to maintain those that have no children, for then the total income of those with families would be insufficient to meet their needs. Assuming an equitable system of allowances, however, the minimum should be fixed at the cost of maintaining either a single man or a childless couple.

Patently the first step in determining which of these two standards is preferable is to find out approximately what is the difference between them in terms of absolute and relative cost. From the estimates that have already been made of the cost of living for a standard-sized family, it is possible to compute, with a fair degree of accuracy, the cost for bachelors and for those with a wife but no children.

To translate family costs into individual costs, it is necessary to find out the proportion of the total family consumption which is actually consumed by any one person. The only study of this nature that has been made is that by W. I. King and Edgar Sydenstricker in some South Carolina cotton-mill villages for the United States Public Health Service. It was of course impossible specifically to apportion the total amount spent by the family on rent, fuel, light, and furniture (which are all family "overhead" costs) to each individual, but an analysis of the budgets of 1,500 families showed that this could be done for the expenditures on food, clothing, and miscellaneous items. Taking the amount spent by adult males of twenty-four and twenty-five years living within the family circle as 1.00, Messrs. King and Sydenstricker found that the relative expense for males and females of varying ages was as shown in Table XLVI.

The family of five, as it is normally measured, would therefore consist of the members shown in Table XLVII, with their equivalent expenditures. The expenditures chargeable to the father would be approximately one-third and to the father and mother

together about 60 per cent of the total. Since the relative proportions which the women spent would probably be appreciably greater in more comfortably situated families than in those stud-

TABLE XLVI\*  
RELATIVE COSTS IN SOUTH CAROLINA OF MAINTAINING MALES AND FEMALES OF VARYING AGES WITHIN THE FAMILY UNIT

Age	Male	Female
3.....	.31	.31
5.....	.35	.35
7.....	.40	.40
9.....	.44	.43
11.....	.50	.48
15.....	.74	.65
19.....	.96	.78
24.....	1.00	.79
30.....	.97	.78
35.....	.95	.76
40.....	.93	.74
50.....	.89	.69
60.....	.81	.66

\* Edgar Sydenstricker and W. I. King, "The Classification of Population According to Income," *Journal of Political Economy*, XXIX, (19-), 591.

TABLE XLVII  
APPROXIMATE NUMBER OF EQUIVALENT ADULT MALE EXPENSE UNITS ("AMMAINES") IN THE STANDARD FAMILY

Person	Age	Relative Expenditures
Father.....	35	.95
Mother.....	30	.78
Boy.....	11	.50
Girl.....	5	.35
Boy.....	2	.28
Total.....	.....	2.86

ied by Messrs. King and Sydenstricker, and since the coming of their children at least in their early years would not necessitate the addition of a corresponding amount of house space, we may

regard the relative share of father and mother in families on a subsistence-plus level at approximately 65 per cent of the total.

If the cost of a subsistence-plus standard of living for a family of five in a city like Chicago, for example, is \$1,600, then the probable cost for man and wife would be approximately \$1,040. This would make little or no allowance for saving, however.

The cost of a single man living within the family circle would probably be approximately one-third of the total cost for a family of five. If the latter amounted to \$1,600, the cost for the unmarried man who shared the family advantages would be approximately \$533.

The cost for a single man who lives outside the family circle, and hence has to pay commercial boarding- and lodging-house keepers and laundries for services which the wife or mother gives without charge, is greater than that which can be specifically ascribed to either the husband or the adult sons of the family. The Bureau of Labor Statistics, in the same year (1919) that it fixed \$2,260 as the amount necessary to support a family of five on a comfort standard in Washington, D.C., fixed \$1,000 as the cost for a single man on the comfort level, or about 44 per cent of the cost for the family of five. The National Industrial Conference Board has made separate studies of the cost of living for both single men and "standard" families in a number of localities, and its results are closely similar. Assuming that \$1,600 is the cost for the family of five in cities like Chicago, the cost for single men living away from home, on a similar standard, would be \$704 annually. This would be \$171, or approximately one-third more than the cost for a man living within the family circle and thus sharing the co-operative advantages of the home.

Both these sums, however, provide no allowance for saving to meet the necessary outlays involved in purchasing furniture, linen, and household equipment to start in housekeeping when married. The total amount needed for this purpose will naturally vary, but in the cities will probably not be much less than \$500.

The number of years during which a young workingman will be single and hence can save for such a contingency will naturally vary. Five years would probably be characteristic of the largest group. This would mean \$100 a year if the man were to do all the saving. While this amount could be cut down if young women were to save equally for the equipment of their households, it would be inadvisable to do so in view of the natural and justifiable desire of youth for a greater amount of amusement and pleasure than an older person demands.

The cost for a single man living at home, with an allowance for saving, would then be approximately \$633; that for a single man living away from home, with an allowance for saving, \$804; and for a childless couple, without any allowance for saving, \$1,040. These would, respectively, be 40 per cent, 50 per cent, and 65 per cent of the cost for a standard family.

It is obvious that it would be administratively impossible to make the standard that of the cost for a single man who lives at home. To do so would necessitate paying allowances to those men who live away from home. This would not only be extraordinarily difficult of administration, but it would be a direct encouragement for adult sons to leave their families.

The real choice, therefore, lies between the cost for a single man living away from home and that for a man and wife. The latter is approximately 30 per cent more than the former, and represents roughly the added expense caused by matrimony.

To pay all workers enough to maintain a man and wife would then mean paying the 28 per cent who are bachelors approximately 30 per cent more than they needed on a most liberal basis to support themselves. At the 1920 scale of prices, a subsistence-plus scale for the standard family would have cost approximately \$1,700 in the larger cities. Payment to all of enough to support man and wife on this scale would have amounted to an excess payment of not far from \$2,000,000,000, on the basis of the computations given in Table XLVIII.

This is undoubtedly something of an overstatement, since it does not make allowance for lower living-costs in smaller communities or for the adult dependents that many bachelors were supporting. The difference in cost between the two standards would, however, be appreciable.

It will be remembered that Mr. A. B. Piddington, the chairman of the Australian Basic Wage Commission, however, advocated paying even the single men enough to support a man and wife on the ground that "during bachelorhood ample opportunity should be provided to save up for equipping the home" and "because a man should be able to marry and support

TABLE XLVIII

Cost for man and wife.....	\$1,105
Cost for single man living away from home.....	850
Difference .....	255
Total excess, 7,900,000 (number of bachelors) $\times$ \$255.....	\$2,010,000,000

a wife at an early age."<sup>1</sup> Upon analysis, these two arguments are not tenable. In the first place, the basic wage for the single man would include a liberal allowance for saving and amusement. Secondly, a wage sufficient for man and wife would not encourage marriage as much as would the provision of a lower basic wage plus an allowance when the worker married. Under the former plan the worker would not receive an increased income when he married, and this would be an economic deterrent to marriage. The addition of an allowance for a dependent wife to a wage already sufficient to support a single man would, on the other hand, increase the income of the husband in the proportion that his responsibilities increased.

The cost of living for a single man plus a liberal allowance

<sup>1</sup> *Report of the Royal Commission on the Basic Wage* (Melbourne, Australia, 1920), p. 90.

for saving seems therefore to be the correct theoretical minimum for men's wages under a family-allowance system.

There is indeed but one valid argument for fixing the minimum according to the cost of supporting man and wife. That is the fact that if the single man is taken as the standard, it will be necessary to pay out allowances in the case of approximately three-quarters of all employed males, while if man and wife are taken as the standard, this will be necessary in something less than half the cases. While it would be worth while to pay something in order to cut down the volume of applications by one-third, it is extremely doubtful whether it would be worth the enormous sums which it has been shown such a standard would cost.

### III. WHAT IS THE PROPER MINIMUM WAGE FOR ADULT WOMEN WORKERS?

As has been pointed out by Mrs. Douglas, no less than five theories have been advanced as to the basis upon which women's wages should be fixed, namely:

(1) the pin-money theory, or the theory that a woman's wage should be expected to cover only a part of her expenses; (2) the joint cost theory, or the theory that her wage, in order not to be parasitic, must cover simply her individual expenses in the family group; (3) the family support theory, or the theory that a woman's wage, like a man's, should be based on the cost of supporting dependents; (4) the temporary independence theory, or the theory that her wage must be sufficient to keep her alive while working away from home; and (5) the permanent independence theory, or the theory that her wage must be sufficient to maintain her in independence through periods of enforced unemployment, through illness and through old age.<sup>1</sup>

The pin-money theory must of course be discarded because of the fact that the vast majority of women workers enter industry because of necessity and need to earn at least enough to maintain

<sup>1</sup> Dorothy W. Douglas, "The Cost of Living for Working Women: A Criticism of Current Theories," *Quarterly Journal of Economics*, XXXIV (February, 1920), 226. I have somewhat changed the order in which Mrs. Douglas presented these theories.

themselves. It would be poor social policy, moreover, for industry to pay even those who came from more comfortable homes less than enough to support them on at least a physical basis of life, for then the industry would indeed be parasitic upon the home and upon other employments.

The third theory, namely, that women have dependents just as men have dependents and that therefore they should receive enough to enable them to support them, is being increasingly advanced by the leaders of the women's movement. Thus, the Wartime Standards for Women's Work laid down in 1919 by what is now the Women's Bureau<sup>1</sup> of the United States Department of Labor declared: "The minimum wage rate should cover the cost of living for dependents and not merely for the individual." Miss Van Kleeck, the former director of this Bureau, expressed this idea at greater length when she declared for "the fixation by wage boards of a minimum wage for women not on the basis of a living for a woman alone, but for the support of a woman with dependents, just as for a man with dependents."<sup>2</sup>

The case for basing women's wages upon the needs of those with dependents is, as a matter of fact, even less strong than it is for men, since the average number dependent upon them is less.

It seems wise, therefore, that the basic wage for women should be fixed upon the cost for a single woman instead of that for the woman with dependents, and that the cost of such dependents as exist should be met through allowances.

The advocates of the joint-cost theory, whose chief scientific advocate is Professor Taussig, say:

Which type of woman without dependents shall we select as standard; the woman living at home who represents fully 80 percent of those who work, or the woman "adult" who lives away from home, and who is typical of not more than 20 percent of the gainfully employed women?<sup>3</sup>

<sup>1</sup> Then the Women in Industry Service.

<sup>2</sup> See *Monthly Labor Review*, November, 1918, p. 191.

<sup>3</sup> See F. W. Taussig, "Minimum Wages for Women," *Quarterly Journal of Economics*, XXX (May, 1916), 411-42.

The costs for the two, they urge, are very different. The first enjoys the co-operative economies of the home in matters of food, housing, and amusement, which the latter is unable to realize and hence must pay for. The National Industrial Conference Board in its cost-of-living investigation in Hoboken, Passaic, and surrounding towns estimated the annual cost for a single woman living at home as \$644, and at slightly over \$900 for those living away from home.<sup>1</sup> A similar difference was shown by the same body for Lawrence, Massachusetts.<sup>2</sup> If these figures are typical, the costs of living at home are approximately 30 per cent less than those of living "adrift." It seems probable, however, that the content of the housing and perhaps even the food standard was higher for those who were living adrift than for those who were living with their families. This tends to be confirmed by an investigation made by Mrs. Douglas in Philadelphia, which showed the difference to be approximately only 20 per cent.<sup>3</sup>

The proponents of the joint-cost theory urge that it is the cost for those living at home, comprising as they do approximately four-fifths of the total number, which should determine the minimum wages paid. As Mrs. Douglas has pointed out, however,<sup>4</sup> all these estimates do not make any allowance for the unpaid services of the mother. Those who live away from home have to pay more for their food, their lodging, and their laundry because they have to pay others to do what the mother of the family does for nothing. If the daughter's share in the costs of her mother are added to the other items, the discrepancy between the cost for those at and away from home will be lessened and probably will not greatly exceed 10 per cent.

<sup>1</sup> National Industrial Conference Board, *Special Report 7: The Cost of Living among Wage-Earners, North Hudson County, New Jersey*, January, 1920.

<sup>2</sup> National Industrial Conference Board, *Research Report No. 24: The Cost of Living among Wage-Earners, Lawrence, Massachusetts*, November, 1919.

<sup>3</sup> Dorothy W. Douglas, *op. cit.*, pp. 240-46.

<sup>4</sup> *Ibid.*, pp. 235-36.



It may seem that the cost for those living at home should be taken as the basic wage, and that we should depend upon allowances to meet the extra cost for those who are adrift as well as for those that have dependents. The same difficulties would, however, arise in the case of women as in that of men. The extra saving effected would probably not be sufficient to justify the administrative difficulties that would be created. These difficulties would be great in view of the short working-life of most women and the fact that changes of rate would be necessary for those who left home. Such a system of differential payments, moreover, would put a premium upon girls' leaving home in order to get the extra allowance and then returning home without detection to enjoy the full surplus allowance.

It seems wiser, therefore, that the basic wage for women should be fixed upon the cost for a single woman living away from home. This should include an allowance for saving, just as that for men. Marriage is a mutual affair, and there is just as much necessity for a woman to save for it as for a man. The woman may then enter marriage on an equal economic footing with the man, having furnished her share of the household goods.

Even if the woman does not marry, this allowance for saving will serve as a protection against unemployment, illness, and penniless old age—all of them industrial risks which are not adequately compensated for by a wage that merely permits her to live from week to week.

What, then, will be the relation between the basic wage for women and that for men? There is no reason for supposing that a single woman who lives away from home and who is saving for the future needs any less than a man in a similar position. It is true that her food requirements are probably only eight- or nine-tenths those of a man, but her clothes will necessarily cost more. She cannot, moreover, live in such poor and consequently cheap housing-quarters, and will need more for this purpose as well. It is either only male prejudice,

therefore, or failure to recognize the necessity for women's savings which assigns a higher cost to single men than to single women. The basic minimum wage, therefore, should be the same for both sexes.

#### IV. SHOULD A BASIC WAGE FOR JUVENILES BE FIXED?

Children are generally exploited in other directions than that of wages. They are generally paid enough to maintain them. The form which the exploitation takes is instead primarily that of overtaxing their strength and of not training them for the future. It is not imperatively necessary, therefore, to regulate the wage of juveniles, while to do so would involve great and perhaps insuperable administrative difficulties. It would be impossible to set a uniform wage for all the years of adolescence and then abruptly increase it to the minimum for adults. Such a transition would be too sudden and too great. If minimum wages were to be fixed, they would have to be graduated upward according to the age or industrial experience of the boy. Thus, if the basic wage for a boy or girl of sixteen were fixed at \$400, which would be roughly his relative cost when a family of five required \$1,600, the minimum would be increased annually by \$80 instalments until at the age of twenty-one the worker would secure the adult minimum of \$800.

This would involve so many difficulties that it would probably be unworkable. There would be, in the first place, the difficulty of producing proper birth certificates, which every employer who hired the boy during the years of adolescence would have to check, while the continuous necessity for readjusting wages as some juvenile passed his birthday would be galling and burdensome upon employers. Finally, the problem of making proper allowances where the juvenile workers were being taught a trade would be most vexatious. Such boys and girls, of course, should not be paid as high a minimum as those who were not being taught. How much this deduction should be and in what

instances it should be granted would be extremely difficult to solve with even an approximation of accuracy, while the problems involved would be most time-consuming.

To graduate wages according to the years of industrial experience would not simplify the tangle, but rather the reverse. While it would obviate the necessity for the continuous re-examination of the birth certificate, it would create the even greater difficulty of determining the time which the youth had spent in employment, and would raise the issue whether total industrial experience or that with a particular concern should be counted. A further problem of caring for those who entered employment late would also be created. The difficulties of the continuous readjustment of the pay-roll and of the apprenticeship problem would continue unabated. In view of the slight necessity for wages regulation and the difficulties involved, it would seem wise to allow the wages of juveniles to be set by individual bargaining.

#### V. SHOULD THE BASIC WAGE BE ADJUSTED TO TAKE ACCOUNT OF LOST TIME, AND IF SO, HOW?

Manual workers are paid by the hour and not by the year. It is necessary, therefore, to translate the yearly minimum into hourly rates. A beginning can be made by dividing the yearly total by 52, thus arriving at a weekly rate. If the yearly minimum were \$800, the corresponding weekly rate would be \$15.40.

The issue then arises whether the workers should be paid according to the exact hourly equivalent of this amount. If the standard hours of work for that industry were 48, this would give an hourly rate of 32.1 cents. If only this amount were paid for each hour's work, because of irregular employment few workers would receive for the year the full \$800 which was adjudged necessary, and many would fall far below this sum. Unemployment, illness, and uncompensated accidents would prevent the workers from receiving this minimum.<sup>1</sup>

<sup>1</sup> This is the situation under most of our American minimum-wage rulings. Save in a few cases, they do not offer any protection against irregular employment.

Would it be advisable to increase the hourly rate to compensate for this loss? Were this done, if the average amount of time lost through unemployment were 10 per cent and through illness and absences 4 per cent, the basic hourly rate would be increased by 14 per cent, or 4.5 cents, and a new rate of 36.6 cents would be established. Such a method would beyond question furnish more protection against unemployment than is afforded now. It would, however, be distinctly inferior to a well-devised system of unemployment insurance.

1. It would be difficult to give sufficient stimulus to the employers to prevent unemployment. Immediately, at least, an employer would not be able to reduce his wage bill by offering continuous employment to all his workers. A readjustment could be made for the industry as a whole by lowering the amount of the loading, but it would be virtually impossible to make a different adjustment for each individual concern.

2. The extra amounts added for lost time would not be distributed according to the actual needs of individual workers. According to the method suggested, a uniform increase of 14 per cent, for example, was to be added to the hourly rates of all workers. But since workers do not suffer uniformly from such losses, some would receive more than they needed while others would receive much less. Thus, a fortunate workman who lost only 2 per cent of his working-time during a year would enjoy yearly earnings of \$895, while the worker who lost 25 per cent of his time would have earned only \$600. Such a uniform payment irrespective of the actual loss suffered is of course the direct opposite of the principle of insurance.

It would be better, therefore, to protect the workers against their losses by means of unemployment insurance than by a flat increase in the hourly rate, and such a system is needed to supplement the minimum wage. Lacking unemployment insurance, however, it would probably be preferable to make some provision in the base rate for unemployment. This should be regarded as a transitional measure only, and the amount of the

"loading" reduced whenever unemployment insurance was introduced.

There is one source of wage loss through irregular employment, however, against which the basic wage can and should be used to protect the worker, and that is broken time within the week, or "unemployment within employment." Workers frequently lose many hours of work in a week because, although they are ready for work, the firm, because of a breakdown in machinery, shortage of materials, or gluts at some of the jobs in the production sequence, is unable to offer employment. The boot-and-shoe and the hosiery industries lose a great deal of time through such delays, but it is characteristic of all industries to a very considerable degree. Such losses as these cannot be reached by any system of unemployment insurance, which primarily can care only for situations where the worker does not have title to any job. They can, however, be met by guaranteeing all the workers, with a few exceptions that will be noted later, the full weekly rate. This would mean that, according to the rates chosen by way of illustration, a worker would receive a minimum of \$15.40 even if he lost eight hours during the week because of breakdowns and delays. This would protect the workers from such involuntary losses of time and at the same time would stimulate the employers to stabilize their production within the week, since every hour of lost time that was eliminated would mean a corresponding reduction in the hourly rate and hence in production costs. Individual businesses are as a matter of fact much more able to effect such stabilization than they are materially to reduce seasonal and cyclical unemployment, although, oddly enough, both of the latter have received infinitely more attention than the former.

Four exceptions should, however, be made to this rule of guaranteeing the full-time weekly earnings whether the employee does or does not work the standard number of hours. The most obvious is that of the worker who begins work later than Monday morning. For the first week he must be paid on an hourly

basis. After the first week, however, he would be given the guaranty.

The second exception would occur when the employee voluntarily left his position during the week. Here, obviously, he should be paid only for the hours actually worked. Those discharged or laid off, however, would receive pay for the week as a whole. This would result in virtually all such discharges and lay-offs being made on Saturday.

The third exception would be for that time which the employee loses through absenteeism or through not appearing for work which is ready for him. He should bear the losses for such time, and a proportionate reduction on an hourly basis should be made from his weekly pay check.

The final exception is that for certain industries, such as longshore work and types of fruit-picking, where the jobs for which the workers are hired are impermanent and last for only a few hours or at the most for a day or so. While such casual workers could not be guaranteed a week's wage, they could be protected by providing that they should be paid more than the ordinary rate. An hourly rate of time and a half for the casual workers in those particular industries where the evil is especially marked would put sufficient pressure upon the employers to devise means of offering steady work without attaching the ridiculous penalty of requiring a week's pay for a few hours' work.

It should be recognized, however, that to make the employer pay for the "unemployment within employment" would put a severe penalty upon the present practice which is strongly developed in unionized industries of "sharing work" during slack times. The employer at present can cut his pay-roll in half just as effectively by allowing all the men to work half-time as by laying off one half and keeping the other half employed full time. This would not be possible under a system of guaranteed weekly wages. The employers would undoubtedly attempt to squeeze out the idle time and hence would lay off men instead of sharing

work. They would thus keep those who were employed busy all of the week. "Unemployment within employment" would consequently decrease, but complete unemployment would increase. With an adequate system of unemployment insurance, however, this would be distinctly desirable rather than the reverse. The equal sharing of work is only preferable when, as now, there is no protection for those thrown out of work. By dividing the work, some are prevented from falling into complete destitution. Less misery is caused by having all work half-time than by having half work full time and the other half not work at all. But while such a method is more humane, it results in less production than the other method. The less efficient workers are retained and share the work with the more efficient. Moreover, since the group as a whole knows that they will be retained and that such work as there is will be shared, those who are paid on an hourly basis will try to make the work last as long as possible in order to be employed more hours per week. Unit labor costs, therefore, are likely to rise under such conditions at the very time when it is necessary for the employer to cut costs in order to meet the lowered money demand for his goods.

When unemployment insurance is provided, there will no longer be any necessity for protecting the less efficient men by keeping them at work. They may be laid off with a clear conscience, because they will then receive unemployment benefits. If their benefits amounted to half their normal earnings, they would be just as well off as under the system of sharing work, but the efficient would not be dragged down to help them, nor would their incentive to work be lessened.

#### VI. SHOULD ANY ATTEMPT BE MADE TO FIX DIFFERENTIALS OF SKILL OR OTHER QUALITIES ABOVE THE BASIC MINIMUM?

It cannot be repeated too frequently that the basic wage is only a minimum. Not only will many of the more efficient unskilled laborers receive more than this amount, but probably all

those in the more highly skilled trades will receive more as well. It is not an essential part of any family-allowance system, therefore, that the body administering the system should fix differentials to allow for skill, severity of effort, disagreeableness of the work, responsibility, etc. These can be adjusted in proportion to the basic wage either by the management itself or, preferably, by the management and the representatives of the workers who are concerned.



## CHAPTER XIII

### THE AMOUNT AND NATURE OF THE ALLOWANCES UNDER A FAMILY ALLOWANCE SYSTEM

The allowances which are granted under an ideal system of family allowances should be adequate to meet the extra cost which dependents occasion a wage-earner. So far as possible, they should be so flexible that while all families, whatever their composition, will be assured of at least a minimum, yet at the same time no person or group will be paid any appreciable excess over their actual needs. A number of very interesting problems are necessarily involved in carrying out these principles, which are worthy of analysis and of an attempt at solution.

#### I. SHOULD ALLOWANCES BE PAID FOR WIVES, AND IF SO, UNDER WHAT CONDITIONS AND FOR WHAT AMOUNT?

No one can doubt that an adequate allowance should be granted for a mother who has children to care for, sufficient to meet the cost of her maintenance. Her services are needed at home, and she should be given a sum adequate to enable her to stay there. The amount necessary will be the difference between the cost for a man and wife living together and that for a single man living away from home, plus an allowance for saving. This would amount to approximately 30 per cent of the base wage, and if the latter were fixed at \$800, the allowance for the wife would be about \$240.

Some will, however, hold that no allowance should be granted the childless wife, since the necessary work around such a home does not by any means demand her full time. These feminists believe such a wife, unless she be physically disabled, should go out to earn her living and should not be dependent either upon her husband or upon society for support.

There is undeniably a great deal of justice in this position, but the widely held belief that a wife's chief duty lies in "making a home" for her husband, added to the great difficulty of finding part-time positions, would seem to make it distinctly inadvisable to exclude the childless wife from the benefit of the allowances.

Such a wife can, of course, always go to work for wages and increase the family income appreciably, for although she would thereby lose the allowance, she would gain much more from the wages she received. According to the illustration chosen, the family income would consist of \$1,600 instead of \$1,040. While the household expenses would be somewhat higher because of the absence of the wife from the home, the net gain in income would be appreciable and would enable the husband and wife to save for future contingencies.

## II. BIRTH ALLOWANCES

It is not enough to provide allowances which will keep a family running from day to day. If a living wage is to be guaranteed, provision must also be made for some of the major emergencies of life. The expenses of childbearing fall heavily upon working-class families and need to be met. Such an allowance should be sufficient to meet the ordinary costs of medical and hospital care and to provide the extra help needed in the household. Sixty dollars would probably be adequate in terms of the general standard of life which has been allowed.

It probably would be unnecessary to provide such an allowance for the birth of the first child, since the mother might be expected to earn this amount during the period in which she had no other responsibilities to care for than her husband.

## III. WHAT SHOULD BE THE NATURE AND AMOUNT OF THE ALLOWANCES GRANTED FOR THE CHILDREN?

The allowances should be continued up to the age when the children are permitted to go to work, which is fourteen years in most of our states. A child might go to work at that age and forfeit

all claim to the allowance, but if he continued in full-time attendance at some reputable school, then the allowance should be maintained integrally up to at least eighteen years. A similar provision should be made if the child were engaged in a trade in which a large part of the time was spent on instruction. The extension of the allowances to permit such further training would relieve the children of the poor from their present necessity of taking some blind-alley job to help their parents, and would release an enormous amount of latent ability which at present is denied an outlet.

If the children's allowances were to be apportioned in strict accordance with the cost, they would steadily increase as the child grew older. The greater burden of expense imposed by older children is well known. King and Sydenstricker found that the total cost occasioned by fourteen-year-old children was slightly over three times that of infants of one year. To change each allowance every year would, however, enormously complicate the administration of the system, and would demand such a continuous readjustment in the records that the system might break down under it. To divide the children into only two or three age groups with different rates for each would materially lessen the complications, but it seems probable that even this would be a heavy incumbrance upon the system. It would be better, therefore, to pay a uniform allowance regardless of the age of the child. This should be fixed according to the cost of supporting a child of an age approximately midway to the upper age limit, say eight years. According to King and Sydenstricker's investigation and other studies that have been made, the cost for such a child would be about one-seventh that for a family of five. This, on the basis of \$1,600 for a family of five, would amount to approximately \$230.

This would be more than the cost of an infant but appreciably less than that for a boy of fourteen or over. The families might be expected, however, to make some savings in the early years

to meet the deficits in the later period, while the older children, if supervised, could without injury earn some money during vacations and before and after school. A \$200 allowance would probably be sufficient.

A second question is as to whether the allowances should vary with the number of children, and if so, how. The Continental systems generally grant larger sums to the later children than to the first. The chief cause for this is probably the desire to compensate for the necessarily lessened earnings of the mother and to stimulate a larger number of births. Neither of these purposes need exist in any American system. The allowances for the wives would be sufficient so that they would not need to work after the birth of their children, and hence they would not need extra compensation, while there would be no idea of trying to encourage a further increase in population.

If actual costs were to be the only fact considered, the allowances for the later children should as a matter of fact probably be somewhat less than for the earlier ones. Owing to the possibility of cutting down clothing and of utilizing children's equipment, the third and subsequent children undoubtedly do not add correspondingly to the housing expenses of the family. For the sake of administrative simplification, however, it is probably wise to make no variations and to pay a uniform allowance for all.

Such allowances should, of course, be paid for the children of widowed or divorced women at work as well as for those of men, although a far better remedy for the former class would be for the state to make our present widows' pensions adequate so that mothers would be enabled to do in practice what they are supposed to do in theory, namely, stay at home and take care of their children.

The allowances should also be paid in behalf of all children who it can be shown are dependent upon the family or its head. This would include illegitimate children where the paternity was acknowledged or proved, and it would include brothers or sisters,

nieces, nephews, and all those who were actually dependent. To guard against possible misrepresentation, however, it would be necessary to require that the children must live in the same household as the person serving as head of the family. This would be particularly necessary in the case of foreigners whose families were in the home country.

#### IV. WHAT PROVISION SHOULD BE MADE FOR ADULT DEPENDENTS?

The hitherto accepted family of five makes provision only for dependent children and not for dependent adults. Those who do not have a wife and three children to support, therefore, have at present a surplus over their own needs which in many cases is used to care for adult relatives. If we fix the wages of men at a point just sufficient to provide for a single man and grant allowances only in behalf of wives and children, then we are making no provision for this class of dependents. It is probably necessary, therefore, to grant allowances to all adult dependents who are physically unable to work. The cost for those over sixty-five years would amount to a little less than one-fourth that for a family of five, or to between \$375 and \$400 a year.<sup>1</sup> It should be frankly recognized, however, that there would be great practical difficulty in determining the degree to which an adult was dependent upon any given worker for support. It would seem wise, therefore, to limit such allowances as far as possible to the immediate families of the workers.

#### V. SHOULD THE EXPENSE OF THE ALLOWANCE SYSTEM BE BORNE BY THE STATE OR BY INDUSTRY?

The socialists and labor leaders in Australia and on the continent of Europe, together with the English feminists, unite in urging that the family allowances should be paid out of state funds and not from assessments levied upon employers.

<sup>1</sup> It should be noticed that the old-age pension laws of Nevada, Montana, and Pennsylvania aim to insure a total yearly income for the aged pensioners of \$365.

A state-supported system of allowances would be broader in its scope than one resting upon employers alone, for it would include not only the dependents of wage-earners and low-salaried workers, but those of small proprietors and self-employed persons as well. The allowances, moreover, would continue to be paid during strikes, lockouts, unemployment, and all forms of lost time, while, as we shall see, not all of these could be covered in an industrial system.

The two chief arguments that are advanced in favor of a state-supported system are: (1) that it would not lower the basic wage of the workers to the same extent as a levy upon the employers, and (2) that the cost of the allowances could be shifted to the shoulders of the well-to-do by means of income and inheritance taxes, instead of coming out of the pockets of the workers themselves through the increased price of commodities.

The advocates of state allowances want the allowances to be given as net additions to existing wages. They do not want them to be used to lower the basic wage to the needs of the single man, or to transfer the sums paid out in allowances from the pockets of the bachelors to those with dependents. They want to increase, at the expense of the employing and owning classes, the share received by labor as a whole. The possibility, therefore, of leaving undisturbed the basic wage paid by industry and of granting allowances from revenues derived through taxation naturally appeals to them more than the lowering of the basic wage to a point just sufficient to care for a single man. Even if the basic wage were not so reduced at first, the labor groups fear that if the employers were to pay out the allowances, they would attempt to recoup themselves later by decreasing the real wages of the single men.

There is no reason, however, why the single men should continue to enjoy a surplus over and above that which is necessary to maintain them. If we are to fix a minimum standard upon the basis of need, we must fix that minimum at the point

of real need. It is impossible to guarantee a subsistence-plus standard of life to people through allowances without fixing a proper base wage. The whole problem of providing an adequate but non-superfluous minimum is therefore shirked by the proposal to accept the *status quo* as regards wages and merely to supplement them by allowances drawn from taxation.

Contrary to the belief of the European labor groups, the payment of such allowances by the government, as a matter of fact, would lower wages. Employers would know that the dependents of their employees were being supported from state funds and that the weekly pay envelope need support only the worker himself. They would consequently decrease the amounts they offered in wages. The workers with dependents, in turn, would not have had time to become attached permanently to a higher standard of life, and since they would be certain of their allowances, they would be willing to accept a reduction in wages. This would in turn force the bachelors to accept a similar cut. The amount by which wages would fall would depend upon the extent to which the present wage level is above the bedrock minimum regarded by the bachelor as absolutely necessary, the degree to which those with dependents insisted upon securing the higher standard of life which the allowances made possible, and the relative number of dependents which the various groups had.

Thus, if the existent minimum were \$1,100 a year and the allowances for a wife and for each child were \$250 and \$200 respectively, then a married man with one child, whom we may call A, would receive \$450 in allowances, or a total income at first of \$1,550; and B, with a wife and three children dependent upon him, would receive \$850 in addition to his wage, or a total of \$1,950. Even if B were willing to take an \$850 cut in his wage, or a sum exactly equal to the allowances given him, which would leave him with \$1,100 as before, neither the bachelor nor A would permit this to continue as a general wage scale. To do so would be to lower the basic wage to \$250, which would mean starvation

to the single man without claim to allowances, while A with his \$450 in allowances would have a total income of only \$700, or \$400 less than before. It would be improbable that the basic wage would be decreased by even the amount of A's allowance, for this would mean a reduction of the minimum to \$650.

While wages, therefore, would undoubtedly fall were state allowances to be granted, it is not clear by how much they would be reduced. Those with two or more dependents would probably find their position improved, and the more their dependents, the better off they would be, but the amount by which they would benefit is uncertain. It would be better, therefore, to set a minimum below which wages would not be permitted to fall and to grade the allowances up above this, than to grant the allowances without adjusting the basic wage and to depend upon the higgling of the market to bring wages down to the proper minimum but no farther.

The second argument, namely, that the state-supported scheme would throw the expense upon the well-to-do and wealthy instead of upon the consumers as a whole, would be true only to the extent that the public revenues were derived from steeply progressive income and inheritance taxes. In this country, the states rather than the national government would be the logical bodies to grant such allowances, and by far the greater part of their revenue is derived from property taxes. Because of the virtual impossibility of taxing the intangible property, the burden does not fall as heavily upon those of wealth as upon others. Even if the national government were the body to grant the allowances, it should be remembered that a portion of the national revenues is derived from tariff duties and internal-revenue taxes upon articles of consumption which are primarily paid for by the poorer and by the middle-class families.

The ultimate incidence of a system of state allowances is interesting, if difficult, to trace. Under the supposition that the basic wage falls to \$800, who then would lose and who would gain



by the transaction? The single men would lose \$300 from their annual wage. The taxpayers would lose the amounts paid out in allowances. Those with dependents would, of course, gain. They would not be alone, however, for the active business men would gain also. The latter would profit from the reduction in the base wage rate of \$300 a year, a reduction which, it should be remembered, would apply to married as well as to single men. Not only would married men, therefore, profit at the expense of bachelors, but the whole entrepreneurial class would benefit, because of lower wages, at the expense of the taxpaying class, who, if the taxes were primarily derived from large incomes and inheritances, would consist in large part of the rentiers, or absentee owners of business.

Could the entrepreneurs, however, permanently retain most of their gains? Would not competition, to the extent that it was operative, force the reduced costs to be passed along in the form of decreased prices, which in turn would benefit the consumers, consisting of all classes? This would at least partially compensate the taxpayers, and it would benefit the workers as well, unless accompanied by another reduction in wages.

It is difficult, therefore, to generalize about the ultimate burden of such a system as between entrepreneurs and taxpayers. It is clear, however, that single men would be forced to give up a considerable amount of their money wages because of the allowances given to those with dependents.

A state-supported and administered system would, as a matter of fact, probably create more dangers than would an industrial one. The payment of such allowances by the governmental authorities would open the way for extensive corruption and favoritism. It would give to the party in control enormous powers of patronage and prestige which would create an almost invincible political machine and would give the political bosses a means of disciplining recalcitrant and independent citizens.

Moreover, since the allowances would be paid for the children

of men who had voluntarily left their jobs, it would lessen the incentive to work and encourage shiftlessness to a degree which would not exist if the allowances were paid by industry only for the time the worker was employed or thrown out of work through no fault of his own.

A further evil might come from the drying up of initiative and interest which might result if the work were administered by the state. There is a danger that in our desire for social reform we may crush out the initiative of the natural industrial groups and concentrate administration in governmental departments that are far removed from the human beings whose fate they decide. Industries are capable of organizing themselves and performing many public functions without the continuous intervention of the political state. They should be utilized to a much greater extent than they are, if we are to retain the interest of citizens in solving their problems and in keeping administrative agencies in close contact with all the facts.

The administration of family allowances, therefore, should preferably be confided to industry rather than to the government. Whether this would lead to the shifting of the expense of allowances to the consumer, and hence cause the workers to pay back in the form of increased prices what they gained in allowances, will be considered in a later chapter.

#### VI. SHOULD THE PAYMENT OF THE ALLOWANCES BE MADE IN MONEY OR IN GOODS?

The committee appointed by the British Labour Party to consider the question of motherhood endowment recommended that the allowances given for children should take the form of goods rather than of money grants.<sup>1</sup> Mothers would thus be furnished with milk and medicines, and children provided with clothes, shoes, and morning and noon meals. The superiorities claimed for this method over direct payments of money were, first, that

<sup>1</sup> *Motherhood and Child Endowment*, pp. 15-17.

the children would be more sure to get what they needed than if the money were confided to some adult to spend for the child, and, second, that since these goods would be furnished from a common source, i.e., the state, great economies in large-scale production and distribution would be effected.

The defect in such symmetrical logic as this is that it forgets the men and women and children who compose the families that are thus being protected. They will not be happy under a system which takes away from them all choice in the expenditure of their income, nor will they develop as much under it as they would if allowed more individual freedom. It would certainly be a tragic mistake to treat a whole people as paupers and convicts have been treated in the past. It is surely far better to let the families spend the allowances themselves, even though they make many mistakes in so doing.

#### VII. TO WHAT DEGREE SHOULD THE ALLOWANCE VARY WITH THE INCOME OF THE WAGE-EARNER?

There is an upper wage limit beyond which the allowances need not be paid. At first thought this might seem to be the point at which the wage paid to the worker is sufficient to provide his dependents with the goods and services which have been agreed upon as the standard. Under these conditions, if a man with a wife and three children received \$1,650 from his employer as a wage, and if the basic wage of \$800 plus the allowances due him should amount to precisely this sum, then he would lose all claim to any allowance and would receive only his wage.

If such were the policy, it would be manifestly impossible to have the allowances continue unabated up to this very point and then stop, for if that were done, a man with a wage of \$1,600 would, with his \$850 of allowances, enjoy a total income of \$2,450, while his fellow whose wage was only \$50 more would have a total income of \$800 less than he. This would not only be manifestly absurd, but would mean that no one would wish to have his

wage raised to the point where it would equal his basic wage plus allowances.

One way to avoid this difficulty would seem to be that for every dollar increase in wages, there would be a corresponding reduction in the allowances. But this would in fact be virtually jumping from the frying-pan into the fire, since there would then be no inducement for men with dependents to increase their output and efficiency and thus raise their wages. Who would wish to work hard in an effort to increase his salary when, for every dollar which he added to it, a corresponding dollar would be deducted from the allowances paid to his family?

The only way out of the dilemma is, manifestly, to have the allowances decrease on a tapering scale in such a way that as a man's wage increases he will always gain appreciably more in wages than he loses in the form of allowances. Thus, if the basic wage were \$800 a year, or \$15.40 a week, a man might be allowed to earn up to \$1,000 a year, or \$19.25 a week, without any deductions being made. For those earning between \$1,000 and \$1,200 a year, a 10 per cent reduction in the allowance might be made, and for every additional increase of \$200, a further 10 per cent reduction. The allowances would then terminate completely when the head of the family was earning \$2,800, a sum at which the family, unless it included an extraordinary number of dependent children, would be able to live on a "comfort" standard.

Two further objections, however, may be advanced against this solution, namely, (1) that it would be unduly severe upon the man with a number of dependents and hence would lessen his initiative, and (2) that an appreciable penalization would still be caused by the sharp decrease in the allowances as a man crossed from one wage group to another.

It is of course true that those with more dependents would receive a larger sum in allowances than those with few. Since an appreciable increase in their wage would mean a reduction in the amount of the allowances received, they would not secure

the full benefit of an increase in wages which the bachelor would enjoy. This is not unjust, however, because the father of the large family has already been given extra protection for his dependents, and the differential advantage which the unmarried man now enjoys over him has been taken away. Will this rate of reduction in the allowance, however, reduce the incentive of the father to increase his income? This obviously depends in part upon the amount which the reduction totals. If the allowance for a wife is \$250 a year and for each child \$200, then the family of a married man with three children would receive \$850 in allowances. A \$200 increase in salary would therefore entail a reduction of only \$85 from the allowances and would leave a net gain of \$115. Even a man with six dependent children would be \$55 better off than before. But it will be queried, Will a man try to increase his salary greatly when for every two steps that he takes forward, he slips back one, and sometimes slips back three steps out of every four? This might be sufficient to discourage a single man with only himself to work for, but it would be far less likely to deter a father who was trying to earn enough to support his family. Such a man, if he loves his family, has really multiplied his own wants and will work hard to gratify those of his wife and children. The possibility of a net increase of \$115 in his income, or even only one of \$55, will therefore still stimulate him far beyond the comprehension of an unmarried man.

The second objection is more valid. If moving from one wage group to another would mean a curtailment of 10 per cent in the amount of the allowance, then an increase merely sufficient to bring a worker from one such class to the other would mean in many cases an actual loss in the total income received by the family. The only way completely to avoid this danger would be to have a continuous decline in the amount of these allowances for every dollar increase in wages. This, however, would be so complicated that it would be virtually impossible of administration. The difficulty of "overlapping" would of course be lessened

by creating more wage classes, but this in turn would cause great administrative difficulties.

A better way out of the difficulty would be for the employers to take this danger into consideration in making their increases and promotions. Thus, they might classify their positions into as many grades as there are classes, and assign to each grade of labor a wage or salary somewhat above the halfway mark. Thus, Grade C of labor would be assigned to the third wage class, ranging between \$1,200 and \$1,400, and its normal wage fixed at, say, \$1,350. When promotions were made into this class, therefore, the increase would be more than sufficient to offset the decrease in the amounts of the allowances. At the same time there would be an appreciable margin whereby especially meritorious workers in this class might be given an increase without being promoted out of the class. The body administering the system could keep this problem and the suggested methods of solving it constantly before the minds of the business executives and prevent it from being forgotten or ignored.

#### VIII. SHOULD THE ALLOWANCES BE PAID TO THE MOTHER OR THE FATHER OF THE FAMILY?

If the allowances are paid to the mother, they are more likely to be expended for the benefit of the child than if given to the father. The payment of such allowances to the mother, particularly when added to her own allowance, will constitute a form of wage for motherhood and will at once dignify her position and make her more independent economically of her husband. The power which a man possesses over his family through his control of the purse-strings is not a healthy one. Women frequently suffer from the niggardliness and brutality of their husbands without resorting to what seems to them to be the shameful and ineffective recourse of the law. To grant them an independent income would largely break this power of the husband and would be conducive to a more truly happy and self-respecting family life.

IX. SHOULD THE ALLOWANCES BE PAID BY THE EMPLOYERS  
OR BY THE FUND?

If the allowances were to be paid to those at work and not to the mother at home, it would be much easier for the allowances to be paid out in separate envelopes by the various employers at the same time that the ordinary wages were being paid. This advantage would not, however, exist were the payments to be made, as recommended, to the mother. In this latter case, the mailing of the allowance checks could be carried on more efficiently by a central office to which each plant would make its periodical report and which would also have the records of other members of the family who might be working in other plants, as well as information about the family itself. Some employers might object to such a method, since it might not give them the personal prestige among their employees that they would secure if they distributed the allowances personally. There would be a gain, however, of another sort, since it would still further separate the reward which a man received for his efficiency in the shops and the payment for the needs of his family, and it would prevent the individual employer from abusing his power.

X. WHAT MEASURES SHOULD BE ADOPTED TO ENSURE THAT  
THE ALLOWANCES ARE SPENT FOR THE WELFARE  
OF THE DEPENDENTS?

The allowances do not belong to the immediate recipient. The latter merely serves as a trustee for the dependents in whose behalf the allowances are really being made. There will inevitably be many mothers and fathers, however, who will be either selfish or ignorant and who will not spend the allowances for the best interests of their children.

It is important, therefore, that every group of any size that institutes such a system should have attached to it a staff of trained social workers, who will not only make investigations to determine the actual number of dependents which a worker has

and to find out those cases in which the allowances are being abused, but who will also be able tactfully to assist the family in spending their resources more wisely. Cases of continued abuse, however, should be checked by taking the child away from its parents and giving it to a more competent person or agency.

The main initiative and control would thus be left in the hands of the families themselves, but general oversight would be exercised with a minimum of bureaucracy.



## CHAPTER XIV

### THE STRUCTURE AND WORK OF THE EQUALIZATION FUNDS

Monopolies and enterprises that are not conducted for profit, such as governmental and charitable bodies, do not need to form funds to equalize the burden of allowances to the same extent as do highly competitive businesses. They would not be placed at a competitive disadvantage by hiring or retaining men with dependents, whereas firms that were competing would be. It is true that a local church or municipality might, for example, wish to reduce its own expenses by giving bachelors and married men without children preference in employment over those with dependent children. The merging of a number of such bodies in one fund would virtually prevent any such attempts and in many cases might well be necessary to protect those with families.

In the main, however, it is competitive business which chiefly needs to establish equalization funds. There is, of course, an urgent necessity that at least a number of competitors should agree to pay out allowances, so that any individual employer who instituted such a system would not be placed at a disadvantage compared with his fellows. But such a collective agreement is not enough. If it were all, there would still be the opportunity for firms to lower their wages bill by predominantly hiring single men and those with few dependents. Equalization funds are therefore an absolute necessity in competitive business if the system is to protect those with dependents.

The problems connected with the formation and work of these funds are among the most important of those that are involved in the whole subject.

I. SHOULD THE PAYMENT OF THE ALLOWANCES AND THE CREATION OF FUNDS BE INSTITUTED BY LEGAL COMPULSION OR BY VOLUNTARY AGREEMENT?

It would be thoroughly consistent for the state to fix the basic wage and to require industry to pay family allowances, but to confide the actual work of administration to industrial and not to governmental bodies. This would force all the employers to institute the system, and would prevent any penalization of the firms that voluntarily introduced it. Unfortunately, however, the present interpretation which our courts place upon the Constitution is such that it will be impossible for a long time to fix men's wages on any general scale by legal or administrative enactment.

At the same time, we are moving rapidly toward requiring uninterrupted service on the part of railroads, coal mines, and other vital industries. These industries are increasingly being declared "affected with the public interest." This desire on the part of the consumers for continuous production has led more and more to attempts to limit labor's power to strike. It would be both ridiculous and unfair, however, to require labor to give up its power of striking unless a substitute is provided which will adjust the disputes and grievances which make men want to strike. The adjustment of the issues that cause strikes is therefore a necessary prerequisite for their prohibition.<sup>1</sup>

The government recognized this in its creation of the various war-time adjustment agencies, such as the National War Labor Board, the Shipbuilding Labor Adjustment Board, and, since the war, of the Railway Labor Board and the Bituminous and Anthracite Coal Commissions of 1919 and 1920.

<sup>1</sup> A great deal of the failure of the Kansas Court of Industrial Relations can be charged to their failure to understand this principle. They threw their strength against the Kansas workers' going out in the three national strikes of coal-miners, packing-house workers, and railroad shop workers, but since the strikes and issues involved were national, they made little or no attempt to lay down a basis for a settlement. This was tantamount to denying the workers an opportunity to right their grievance, whether real or fancied, without providing them with a remedy. It was virtually a re-enactment of the old English combination laws.

The most important question with which such bodies are almost invariably confronted is that of a proper minimum wage. Upon their correct solution of this problem largely depends the success of their efforts to secure both industrial peace and justice. The workers, backed up by the growing sympathy of all right-thinking men and women, are demanding that industry shall give them at least a living wage. The form in which this living-wage argument is now advanced is that all adult males should receive enough to maintain a family of five. As has been pointed out, this would create such a crushing burden upon industry that the various arbitration boards have naturally shrunk from applying it to any particular industry. It was this seeming impossibility of applying the principle of the living wage that led Chairman Hooper of the Railway Labor Board to blurt out that it was "a bit of mellifluous phraseology, well calculated to deceive the unthinking."<sup>1</sup>

Such boards as these could fix wages upon the basis that has been outlined and provide for allowances to meet the needs of dependents. In this way they would, for virtually the first time, make effective the living-wage principle. They could also provide a system of equalization funds for those affected by their decisions. These funds could be administered, however, by representatives of the industry itself. It would therefore probably be held constitutional, even now, for governmental bodies to prescribe such a system for the railways. It is probable that within a few years such rulings could be made effective in the coal-mining industry as well. It is doubtful, however, whether governmental powers will extend beyond these two industries for some time.

If, despite the decision of the Supreme Court in the District of Columbia case, the minimum-wage laws for women survive in the states, the family allowance system might be adopted for

<sup>1</sup> United States Railway Labor Board, Decision No. 1,267 (Docket 2,500), *United Brotherhood of Maintenance of Way Employees and Railway Shop Laborers et al. vs. Alabama and Vicksburg Railway Company et al.*, 1922.

women workers. The basic wage for women would then continue to be computed on the same basis which is now ostensibly used, namely, according to the cost of living for a single woman living away from home.<sup>1</sup> The commissions would, however, be able to protect the dependents of women workers by making them a charge upon the industry of the state as a whole. Additional allowances for these might thus be prescribed and either state-wide or regional equalization funds set up to administer the system. In this way the dependents of women would at least be cared for, even though the dependents of men were not.

Because of the temper of our courts, however, the adoption of such a system in the United States must necessarily come in the main either through the employers alone or through joint action on the part of the union and the employers.

## II. SHOULD THE FUNDS BE ORGANIZED ON A NATIONAL OR LOCAL SCALE AND ACCORDING TO A REGIONAL OR TRADE BASIS?

It would undoubtedly be possible for many industries, such as coal-mining and glass bottle blowing, which now adjust their wages upon virtually a national scale, to provide in their national agreements that the family-allowance system should be adopted. Except perhaps in such small industries as photo-engraving and lithographing, it would be unwise to organize the fund itself upon a national scale, since it would be too far removed from the individual plants and from the workmen to administer the allowances efficiently. The funds, therefore, should primarily cover at most a compact industrial region. There might, however, be a number of local or district funds which would administer a nationally agreed-upon system.

In the main, however, the systems themselves, as well as the funds, will be regional or local. The real issue is as to whether in any given locality they should include employers in diverse in-

<sup>1</sup> Little provision is made for saving, however, under the budgets drawn up by the various minimum-wage commissions.

dustries or merely those in the same trade or industry. In the larger cities, the natural tendency will be for the funds to be organized on the trade basis. Employers and workers alike are much more strongly organized industrially than they are geographically, and this will be directly conducive to trade funds. The fact, moreover, that the burden of dependency upon the workers differs from industry to industry, according to the age and sex of those employed, will lead those industries with a large proportion of female

TABLE XLIX

THE AVERAGE NUMBER IN 1923 OF LIVING CHILDREN OF FATHERS FROM  
FORTY-FIVE TO FORTY-NINE YEARS INCLUSIVE, CLASSIFIED BY  
OCCUPATIONS\*

Craft	Average Number of Living Children	Craft	Average Number of Living Children
Farm laborers.....	6.0	Glass-blowers.....	4.6
Coal miners.....	6.6	Laborers (building and gen- eral).....	5.8
Bakers.....	5.3	Machinists.....	5.0
Blacksmiths.....	5.5	Plumbers.....	5.0
Cabinet-makers.....	5.0	Tailors.....	5.1
Carpenters.....	5.4	Locomotive engineers.....	4.5
Compositors.....	4.0	Architects.....	3.0
Electricians.....	4.9	All occupations.....	5.5
Electrotypers.....	4.3		
Furnace men.....	6.8		

\* Taken from a mimeographed report of the Census Bureau, issued December 29, 1924.

and juvenile labor to fight shy of a general local fund and to reduce their expenditures by combining only with those in substantially similar circumstances.

The appreciable differences between industries in the number dependent upon even the average male workers of the same age is indicated by a recent tabulation of the Census Bureau, which shows the average number of living children of male workers in the registration area. Table XLIX shows these averages for those fathers who were from forty-five to fifty years of age. The differences between industries in the number of dependent children

would of course be much more pronounced in those cases where there was a considerable variation in the average sex and age composition of the workers.

The creation within a locality of a number of such independent trade funds would, however, tend inevitably to produce a chaos of conflicting provisions in which families in similar circumstances would receive widely differing sums. In many cases, moreover, members of the same family would be receiving allowances from two or more of the funds, and a considerable amount of overpayment would necessarily result. Secondly, it would be a great waste of effort for each of the independent funds within the same locality to employ different family visitors for the purpose of checking up the accuracy of the statements of dependency and of offering assistance to the families.

Such defects as these might ultimately be avoided by a federation of these trade funds into a regional organization which would establish uniform allowance rules, centralize all records and thus eliminate double payments, and carry on unified family visiting. Within this general federation, each trade fund would continue to be financially autonomous and would bear only its own burdens. The cost of the allowances would thus be equalized between the competitors in each industry, but not between industries. There would, however, necessarily be a great deal of confusion and lost motion before such a federation could be effected.

But such a solution as this would solve only the more pressing administrative difficulties. It would not satisfactorily settle the fundamental economic problems that are involved. The industries which employ adult male labor and which, under a trade-fund basis of organization, would be burdened, at least in the beginning, with dependency charges would thus in reality be forced to support those children who would ultimately enter some other industry than that in which their fathers were employed. On the principle that each industry should pay for the rearing of its own labor force, the trades employing females and juveniles

should belong to a locality fund and make their proportionate contribution to the support of the dependents of men in other industries.

Most of the gainfully employed women and juveniles are, moreover, already contributing to the support of the dependents in their families. It is only proper, therefore, that the trades where they are employed should help to bear this joint expense, and not attempt to shift it exclusively to the industries where the fathers of the families are employed. If the firms that employ large numbers of women do insist upon the creation of trade instead of regional funds, then the industries that predominantly employ adult men may be forced to adopt measures of self-defense. A notable beginning in this direction is the general provision, in those countries where the system has established itself, that when father and mother are both gainfully employed, the allowances are to be equally divided and one-half is to be paid in behalf of the wife's services. The fullest extension of this principle has been made in the funds of Roubaix-Turcoing and Blois, in France. Here the number of adults and juveniles capable of securing gainful employment is used to divide the total amount in allowances to which the family is entitled. The fund, therefore, that employed adult males but not women or juveniles would make itself liable, not for the full support of all the dependents in the families whence these men came, but only for the proportion which these men formed of the total number of persons in these families who would normally be expected to work outside the home. A large part of the burden of family support would therefore be rolled back upon the shoulders of those industries which employed women and juveniles.

Such a development would seem to be virtually inevitable if the funds are organized on a trade basis. Such a method of self-defense would, however, necessarily complicate the machinery of administration. Moreover, in the attempt to compel the industries that employ large numbers of women and juveniles to bear

their share of family costs, there would inevitably be a considerable interval between the time when the funds employing adult male labor laid down the burden and the time that the others assumed it. In the intervening process, many families would suffer greatly, and some would probably suffer permanently.

It would be much better, therefore, to begin with a regional fund with a common rate of assessment for all industries, where the whole issue would be settled simply and with justice, than to trust to its solution through the clash of the economic interests of divergently constituted trade funds. Despite the very real desirability of such regional funds, however, as long as we must trust to voluntary action for their institution, it is very probable that in the larger cities, the firms where the ratio of total dependents is low would form trade funds. In the smaller cities, because of the fewer establishments in any one line of industry, the chances for general locality funds would be much greater.

### III. SHOULD THE FUNDS BE ADMINISTERED BY THE EMPLOYERS OR BY THE WORKERS AND EMPLOYERS JOINTLY?

It is obvious that if the employers voluntarily initiate such plans, they will seek to control their administration. Such exclusive control by the employers would be likely to lead to many abuses. The allowances could be made conditional upon satisfactory service, and both union organization and strikes could be heavily and unfairly penalized. It would be much wiser, therefore, to have the funds controlled by boards representing the employers and bona fide labor organizations that would represent the majority of the workers. Wherever such funds are created by public arbitration bodies, such joint control should most certainly be provided.

If the unions oppose the whole family-allowance system and refuse to have anything to do with it, they will virtually surrender all control to the employers, who will not be loath to accept. It



would be wise, therefore, for the unions to include such provisions within the scope of collective bargaining when they are once introduced, and thus secure that joint control which is necessary if the allowances are to be administered without either unjust favoritism or discrimination.

#### IV. BY WHAT METHOD SHOULD THE ASSESSMENTS UPON THE EMPLOYERS BE COMPUTED?

There are at least five methods by which the contributions of the employers to the equalization fund may be assessed, namely, according to (1) the number of workers employed, (2) the number of hours worked, (3) the amount paid out in wages, (4) the physical units of output, and (5) the value of the product.

The difference between the average number of workers employed and the number of clock hours worked is primarily one as to whether firms where there is a proportionately large amount of short time shall be penalized for their failure to provide full employment.

In contrast with these two methods is that of determining the assessments according to the amount paid out in wages. This has been so generally adopted in the French funds largely because it automatically permits those industries which employ women and juveniles to pay, by reason of their low rates of wages, a much smaller assessment than would be required on a per capita or per clock hour basis. If women are guaranteed a minimum wage equal to that of men, as I have advocated, this supposed advantage would largely disappear. Less would be paid under it for juveniles, however, than under the other two methods, and more would be paid for adults receiving more than the minimum. It would, moreover, differ from the per capita method in that it would make no assessment for unpaid lost time.

The decision as to which of these methods should be used for a given fund will depend upon a number of considerations, of which the following are the most important:

1. *The willingness of employers to report.*—Employers would be

much more willing to report the average number of their employees and the number of hours worked than they would be to state the amount of their pay-roll or the amount or the value of their production. They would be more willing, indeed, to report the number of employees than the number of hours worked. This consideration is of importance in view of the average employer's reluctance to disclose vital facts about his business even to an organization expected to hold such information confidential.

2. *The ease of administration.*—The second consideration of importance is the ease or difficulty of preparing the data. The amount of the pay-roll, the number of hours worked, and the total sums realized from sales would all be easy to ascertain. More difficult would be the average number employed if there were any appreciable amount of change in the composition of the working force. This, however, is not sufficient to count as a serious disqualification. It would be possible to use physical units of output in those industries which turn out a single homogeneous product, such as ice or coal, but this would be impossible in all regional funds or in those industries which manufactured variegated products, such as hardware, women's clothing, etc.

3. *The degree to which it would stimulate employers to abandon socially undesirable practices.*—The per capita method, by requiring establishments to pay their share toward maintaining the dependents of the workmen in the fund during short time, or "unemployment within employment," would give them an added incentive to keep their workmen employed, in order to reduce the overhead charges per unit by an increased output. No such incentive would be furnished by any of the other bases of computation.

If the wages of women were fixed at a lower point than those of men, the use of the amount paid out in wages would increase the incentive to substitute them for men. This would not exist if a uniform minimum applicable to both the sexes were paid. There would still, however, be an added inducement to utilize

of granting increases above the minimum. It would be highly desirable to grant such increases to workers who exceed the lowest group in skill and energy, but to do so would mean for an individual employer an appreciable increase as well in the amount of his own assessment to the fund. This, of course, would not be the case under the per capita or hour method.

4. *The degree of stability.*—If the allowances were to be paid out by the individual employer, the equalization fund would not need any large amount of funds. Its duties would primarily consist in merely clearing periodically the balances between the debtor and creditor members. If it were to pay out the allowances itself, however, it would be compelled to levy, upon the basis of past experience, an assessment for a period of time. This assessment should be sufficient to meet the demands upon the fund and to provide a moderate reserve for contingencies. It is important that the basis chosen for the assessment should be so stable as to yield, as far as possible, the relative amount of money needed.

Judged by this standard, selling price is seen to be the most unsatisfactory of all. A violent fall in wholesale prices might leave the fund with much less than it needed to pay the allowances. How precipitous such a decline may be is evidenced by the depression in 1920-21, when wholesale prices fell approximately 35 per cent in a year.

The next most unstable basis is that of the amount of wages paid. Wages, it is true, lag behind prices on both the upswing and the downswing of the business cycle, but they, too, frequently fluctuate widely within a short period of time. The investigation by Dr. W. I. King and the National Bureau of Economic Research for the President's Conference on Unemployment showed that the yearly earnings of all the employees covered in his study decreased approximately 19 per cent, and of those in factories 32 per cent,<sup>1</sup> from 1920 to 1921.

<sup>1</sup> W. I. King, *Employment, Hours and Earnings in Prosperity and Depression, United States, 1920-22*, p. 110.

Because of short time, the hours worked vary more than the number employed. From Dr. King's investigation the difference between the two does not seem to be as great as might be supposed. His results show that during the depression of 1920-22, the probable maximum decline in the number employed was 14 per cent and in the total number of hours worked 16.5 per cent.<sup>1</sup> Other studies, however, which were made during the depression period by the New York Industrial Commission and the Employment Managers' Association of Cleveland indicate an appreciably larger amount of short time than Dr. King's figures show.

The number employed, therefore, seems to be the steadiest of all the practicable bases, although it is probable that the total output is, on the whole, even more stable, due to the fact that hourly output generally increases with an appreciable decrease in the volume of employment.<sup>2</sup>

5. *The probable incidence of the various methods.*—The final standard by which these various bases should be judged is the probable effect which each will have upon price, on the one hand, and the profits of the various producers, on the other.

The first three methods, namely, the hourly, per capita, and wage pay-roll methods, make their assessments upon the basis of labor cost, while the fourth and fifth are based upon the selling price of the product. The divergent effects of these two bases may briefly be illustrated. One shoe-manufacturer, A, just manages to break even on a shoe that sells for \$6.00. His costs are exactly equal to the price, and he makes no profit. Another manufacturer, B, produces an identical shoe that also sells for \$6.00, although its cost is only \$3.00. B consequently pockets \$3.00 on every shoe in profits. Now let us suppose that the family-allowance system is instituted and that an assessment is levied equal to one-sixth of

<sup>1</sup> *Ibid.*, pp. 30, 55.

<sup>2</sup> See my article, "Personnel Problems and the Business Cycle," *Administration*, July, 1922, which gives numerous illustrations of an increase in output due to the fear of unemployment on the part of the workers.

the selling price of the product, which amounts to \$1.00 on each pair of shoes for all producers, whatever their situation.

As we shall see, it is quite probable that were the family-wage system to be introduced universally, no increase in the total wages bill need result, but instead merely a redistribution between the single and the married men of approximately the amount now paid out in wages. Since, in any event, however, the effects of these two bases of assessment would be different, for the purpose of bringing out more clearly what these differences are, it is assumed that the costs for all producers would be increased by the amount of the assessment. A's cost, therefore, would now be \$7.00 and B's \$4.00.

If only a few industries began to pay family allowances, then, in consequence of the higher price, fewer pairs of shoes would be demanded, and prices would fall from \$7.00 to, say, \$6.80. The marginal producer A would thus be forced out of business, and another producer C, who formerly produced at a cost of \$5.80, would now occupy the margin. B's profits would now be \$2.80, while C's, which were \$0.20, would now be nil. Both would lose equal sums, but B would lose comparatively less than C.

The situation would be somewhat different were the family-allowance system to be introduced universally. The demand for shoes in that case would not fall off because of the increase in price, since, if the amount of bank credit increased correspondingly, all commodities would be increasing at a similar ratio. Prices would therefore rise and stay at \$7.00, and A would continue to do business without a profit, while B and C would make \$2.00 and \$0.20 respectively on a pair of shoes. The relative position of each would not be changed.

Compare with this the effect of an assessment of, say, 50 per cent upon the amount paid out in wages. Assuming that the proportion spent in wages is one-half the total cost for all producers, this would mean an assessment of \$1.50 and \$1.45 per pair for A and C respectively, and \$0.75 for B. The amount of the burden,

in other words, while proportionately the same according to cost, would be less in terms of dollars for the efficient than for the marginal firms. The result would be that A's costs would rise to \$7.50 and B's only to \$3.75. Assuming that the family allowance system was not generally adopted, this would mean a reduction in demand so that price, let us say, would rest at \$7.12. A would again be forced out of business, as would C, and a new man, D, who formerly produced for \$5.70 and now for exactly \$7.12, would become the marginal man. B's profits per pair of shoes would now amount to \$3.37 instead of \$3.00 as before, and he would gain absolutely as well as relatively by this method.

The same tendency would be evidenced if the family-allowance system were made universal and if the currency were sufficiently inflated to permit a general increase in price without any redistribution among the various commodities. The result would be that A would stay in business, and the price of shoes would be \$7.50 a pair. B's profit would now be \$3.75 a pair, or a gain of \$.75.

Prices, therefore, would be advanced less and the low-cost plants would profit less under the method of assessment according to selling price than by any of the other methods. The three methods of assessment upon cost might also lead to a substitution of capital for labor and an increase in the proportion of the product going to capital. Since all these methods would make labor dearer, employers would therefore tend to use more capital in place of some of the labor. This would mean that more workers would be employed in making tools and machinery and fewer in using them. The increased demand for capital would necessitate higher interest payments, which, unless total output were increased, would mean a lessened share for labor.

In conclusion, it would seem, therefore, that assessment according to the number employed would be superior to the other methods, not only in securing the employer's willingness to furnish data, but, more important still, in the pressure which it would

put upon employers to offer full-time employment, while not discouraging increases in salary above the minimum. Finally, it would be the stablest basis that could be chosen.

Assessments upon the basis of selling price, on the other hand, would not increase the profits of any producer, which is in striking contrast to the three methods of assessment according to some factor of labor cost; but it has one fatal defect which disqualifies it for all funds save those that are composed of almost identical trades. This is the fact that such assessments would fall on the cost of the raw materials embodied in the final product, as well as the value added by manufacture. The milling industry, where the proportion of the raw material to the finished product is extremely high, would therefore suffer in comparison with baking, and iron-smelting would be placed at a distinct disadvantage as compared with wrought-iron work.

Assessment according to the number of workers employed seems, therefore, to be on the whole the most practical of the various methods of assessment.

V. SHOULD THE EXPENSE OF MAINTAINING THE DEPENDENTS OF ALL CLASSES OF WAGE-EARNERS WITHIN A FUND BE MET FROM A COMMON ASSESSMENT OR SHOULD THE ASSESSMENT UPON EACH SEX PROVIDE FOR THE DEPENDENTS OF THAT SEX ALONE?

It will be remembered that the New South Wales bill of 1919 provided that within the central fund two accounts were to be set up, one of which was for men and the other for women. The first was to have charged against it the sum of the allowances paid the dependents of men, and the second the allowances paid the dependents of women workers. The total in each case was to be divided by the numbers in each sex who fell under the scope of the act. Since there are fewer persons totally dependent upon women than upon men, the result would have been a much lower assessment upon women than upon men. Proposals similar to this would undoubtedly be made under the family-wage system by the large employers of female labor in this country. These propos-

als would naturally be urged most strongly in the regional funds, where the opportunity of thereby decreasing costs would be greatest. The experience of France indicates, however, that the same issue would be brought forward in the trade funds as well.

To admit this differentiation, however, would be to violate one of the principles that we have followed in fixing the basic wage for the two sexes, namely, to remove all inducements to substitute women for men because of the fact that they have fewer dependents to maintain. It was partially for that purpose that the minimum was fixed at the same point for both sexes. To make the assessments vary according to the sex of the worker would be to bring the same danger in by the back door. Equal assessment for men and women alike seems therefore to be sound in principle, while it would do away with the problem of trying to determine partial dependency, which is always very difficult.

The fixation of such a uniform assessment upon both men and women to meet the cost of supporting the dependents of all the workers as a whole introduces an interesting change in social cost accounting. It makes both workingwomen and workingmen, rather than the latter alone, the joint supporters of the dependents at home.

#### VI. WHAT LENGTH OF SERVICE SHOULD BE REQUIRED AS A CONDITION FOR ELIGIBILITY?

While it would be desirable to bring casual as well as steady workers under the scope of the family-allowance system, to do so would cause great administrative confusion. Thus, if a longshoreman were employed by a company for ten hours during a forty-eight-hour working-week, and his family were entitled to \$7.20 weekly in allowances, then, if the allowances were to be paid to all casual workers, the weekly allowance of \$7.20 would be reduced to an hourly rate of \$0.15, and the family in consequence assigned \$1.50. This would cause a great deal of vexatious difficulty in computing the equivalent in allowances of these pieces of broken



time. It would therefore be unwise to load the plan, in the beginning at least, with these casual workers, although they might be included after the system had had time in which to solve its major problems.

A period of service during which no allowances would be paid should therefore be required as a means of eliminating both casuals and "floaters." This period should certainly not be prolonged any longer than is necessary, and a week in addition to the current allowance period would be sufficient to weed out most of these workers.

If a worker left one shop to be employed by another in the same fund, the allowance would be continued without deduction. If he found employment in some firm outside the fund, all allowances would, of course, cease. To simplify accounts, it would be well to provide that when a worker voluntarily left his job or was discharged for misconduct during an allowance period, his family would forfeit all claim to the allowances for that week. If he were laid off, on the other hand, by the company, the allowance should be paid for the remainder of the week at least. The voluntary separations and discharges would create a surplus in the fund, consisting of assessments upon time worked for which corresponding allowances had not been paid, which would more than counterbalance the allowances paid out in the cases of lay-offs for whom there were not corresponding amounts of working-time upon which an assessment could be levied.

- VII. (a) SHOULD THE ALLOWANCES BE PAID DURING TIME LOST BECAUSE OF ILLNESS, ACCIDENTS, OR UNEMPLOYMENT? (b) WHAT SHOULD BE THEIR RELATION TO A SYSTEM OF SOCIAL INSURANCE?

Where no compensation at all is paid for these losses, which is predominantly true in this country in the case of illness and unemployment, the issue is simpler than where some compensation or insurance is given. If no such provision were made, the depend-

ents would need maintenance just as much as when the wage-earners in the family were employed.

There is a strong presumption, therefore, in favor of continuing the allowances unabated in all cases where the worker is not compensated for wages lost during such times. There are, however, certain problems created by unemployment which would make the administration of payments more difficult. No fund could, of course, be charged with paying allowances to the families of men who had voluntarily quit work or had been discharged for misconduct or inefficiency. It would be necessary, however, to maintain a fairly close supervision of the laid-off worker to prevent the allowances' continuing to be paid if the worker were employed outside the fund or if he had refused "suitable" employment. A requirement that the worker report daily during working-hours at the office of the fund would meet the first difficulty, but the second could be solved only by a well-co-ordinated system of public employment exchanges in which the men would register for work and with which the equalization funds would keep in intimate contact.<sup>1</sup>

It would be easier to control the payment of allowances in those cases where the workers were still actively employed but where they had not been given an opportunity to work for the full-time number of hours during the week. The allowances should continue to be paid for the proportion of time lost through these cases, but not for that lost through the will of the workers themselves, whether individually in the form of absenteeism or collectively in the form of strikes. Thus, where, in a normal forty-eight-hour working-week, an employee whose family received \$7.20 in allowance weekly was unable to work for four hours because of lack of materials and was absent for eight, the allowances paid to the family would be diminished by only one-sixth, and not by one-fourth. In other words, the allowance should continue to

<sup>1</sup> Were the allowances paid by the government, they would continue without regard to whether the wage-earners of the family were employed or not.

be paid if the worker loses time involuntarily, but not for time lost through his own fault.

It would be preferable, however, to have a system of social insurance which would take over all the provisions for family maintenance during periods of unemployment and disability, and which would administer the benefits from a common and not a divided source. This would mean that the system of benefits under these measures should not be as predominantly as they are now mere flat sums irrespective of wages or dependents, or even percentages of the wages paid, but should be graduated according to the number of dependents. Such a system should protect the allowances of the latter to the same degree as the earnings of the workers.

Interestingly enough, there have been of late, in the field of social insurance, a number of developments along this very line. A number of states in this country now graduate the benefits paid out under our workmen's compensation law in cases of death resulting from industrial accidents, in proportion to the number of dependents left behind. The various European systems of unemployment insurance have within the last few years adopted similar provisions, and the English, Belgian, Swiss, Dutch, Finnish, Danish, Austrian, and German systems now graduate their benefits according to the number of those dependent upon the unemployed person for support.<sup>1</sup>

But if the various social-insurance plans as enacted were to make no provision for dependents, despite the probable confusion that would result, it would be better to pay at least a portion of the allowances and thus protect the dependents. This would be made easier than otherwise because of the employment machinery which unemployment insurance would necessarily create.

<sup>1</sup> See Paul H. Douglas, "Some Precedents for the Family Wage System," *International Labour Review*, XI (March, 1925), especially 358-61.

## CHAPTER XV

### THE PROBABLE COST OF THE FAMILY ALLOWANCE SYSTEM<sup>1</sup>

The probable cost of such a system as is proposed may be computed in terms of its being applied (1) to all those who are gainfully employed, (2) to all wage-earners, and (3) to the wage-earners in particular occupational divisions such as manufacturing. Such costs may be compared with the cost of applying the family-of-five standard in all three of these groups, but of course as respects the existing wages bill only in the latter two.

It will be remembered that the amounts regarded in chapter xii as furnishing a living were \$800 for the single men and women, \$240 for the wife, \$200 for each child under fourteen years, and \$400 for every dependent person over sixty-five years.

The probable number of persons who would be included in each of these classes may be estimated from the fact that 28,200,000, or 95 per cent, of the 29,700,000 males between the ages of twenty and sixty-five were gainfully occupied, and 6,600,000 of the women of these ages were so employed. There were 31,600,000 children under fourteen years who were or should have been dependent upon others for support. Some of them were supported by those in comfortable circumstances who were not gainfully occupied, but the proportionate number of such children was undoubtedly less than 5 per cent (the percentage which the adult males who were not gainfully occupied formed of the total). On the whole, it seems fair to estimate that they did not exceed 800,000, leaving 30,800,000 to be supported by those

<sup>1</sup> I am greatly indebted to Miss Mary M. Gorringer, formerly of the University of Chicago and now of the University of California, for assistance in the preparation of this chapter.

gainfully occupied, or, assuming the males to be the sole supporters, a ratio of 1.09 such children for every gainfully occupied male.

There were also 4,900,000 persons of sixty-five years and over. Most of these, under the family allowance system, would be presumed to be dependent, although 1,700,000 of them were gainfully employed in 1920. Not more than 4,800,000, or .17 per adult male, and probably somewhat less, would be dependent at the most upon those gainfully employed. 20,100,000 of all the males between twenty and sixty-five were married, or 19,100,000 of those who were gainfully occupied. Not all the wives of these men would be supported out of the allowances, since there were not less than 1,900,000 married women who were gainfully employed.<sup>1</sup> Deducting this number we should have 17,800,000 as the most probable number of dependent wives.

The total cost of guaranteeing the various groups the income which has been advocated is shown in Table L. For the sake of completeness, juvenile male and female workers are allowed an annual wage of \$500 and \$400 respectively, the same amounts they were allowed when \$1600 was taken as the wage for the standard family. The total cost of the basic-wage and allowance system would be \$42,100,000,000, or, if \$75 were allowed for each of the 1,300,000 children born in 1920, \$42,200,000,000. If \$200 were allowed annually for each of the 4,800,000 boys and girls between fourteen and eighteen years who continue their education, the cost would be increased by \$1,000,000,000, swelling the total to \$43,200,000,000. The allowances comprised 31 per cent of this total and 45 per cent of the amount necessitated by guaranteeing the basic income. This total of \$43,200,000,000 is \$11,700,000,000, or approximately 20 per cent, less than the amount that would have been needed had all adult males been granted an income sufficient to maintain a family of five on a virtually identical scale of expenditure.

<sup>1</sup> Abstract of the Fourteenth Census, p. 561.

Such are the most probable estimates of the cost of extending the family-wage system to all who are gainfully employed.

The real field of its application lies, however, among those who are wage-earners, and it is even more important to estimate the

TABLE I  
PROBABLE COST OF EXTENDING THE FAMILY-WAGE SYSTEM TO  
ALL GAINFULLY EMPLOYED PERSONS

Class	Number (in Millions)	Amount per Capita	Total (in Billions)
Basic Wage			
Adult males* (20-65) .....	28.2	\$800	\$22.6
Adult females* (20-65) .....	6.6	800	5.3
Boys (15-19) .....	2.8	500	1.4
Girls (15-19) .....	1.6	400	.6
Total .....	40.8	.....	\$29.9
Allowances			
Children (0-14-) .....	30.8	\$200	\$6.2
Old people (Over 65) .....	4.8	400	1.9
Wives .....	17.2	240	4.1
Total .....	52.8	.....	\$12.2

\* The number of adult males and females is less than that shown in Table II, since those over 65 are not included.

costs here. According to the study by Professor Alvin H. Hansen, 59.7 per cent, or 25,300,000, of those gainfully employed in 1920 were wage-earners.<sup>1</sup> While the precise number of those who fall into the various sex and age classes is impossible to ascertain, the following seem to be the most probable figures for those between

<sup>1</sup> Alvin H. Hansen, "Industrial Class Alignments in the United States," *Journal American Statistical Association*, December, 1922, pp. 503-6.

the ages of fourteen and sixty-five:<sup>1</sup> 15,300,000 adult males from twenty to sixty-five; 3,600,000 females from twenty to sixty-five; 2,800,000 youths, and 1,600,000 girls under twenty. In addition to this there were approximately 900,000 male and 100,000 female wage-earners over the age of sixty-five years.

The cost under the family-of-five system would be approximately \$30,900,000,000, distributed as shown in Table LI. The

TABLE LI  
PROBABLE COST IN 1920 OF PAYING ALL MALE WAGE-EARNERS  
ENOUGH TO MAINTAIN A FAMILY OF FIVE

Class	Number (in Millions)	Amount per Capita	Total (in Billions)
Adult males (20 years and over).....	16.2	\$1,600	\$25.9
Adult females (20 years and over).....	3.7	800	3.0
Boys (15-19).....	2.8	500	1.4
Girls (15-19).....	1.6	400	.6
† Total.....	24.3*	.....	\$30.9

\* Does not include wage-earners below fourteen years.

cost under the family-allowance system can be computed by estimating the probable number of children, old people, and wives dependent upon the wage-earners. Assuming the same ratio of wives and dependent children and old persons to adult male wage-

<sup>1</sup> The following method of estimation was used:

1. The 5,000,000 gainfully employed juveniles under twenty years were all regarded as wage-earners.
2. The remaining 20,300,000 wage-earners formed 54.4 per cent of the 37,300,000 adults who were gainfully employed.
3. This percentage was applied equally to the number of gainfully employed men and women over the age of twenty to secure the probable number of wage-earners.

The resultant figures undoubtedly somewhat overstate the number of male wage-earners and understate the number of female wage-earners. This makes no difference in the estimates of the cost of the family-allowance system, since men and women are given an equal basic wage. It slightly overstates, however, the expense under a family-of-five system.

earners as prevails in society as a whole, we have 10,400,000 wives, 16,700,000 children, and 2,600,000 old people. Not all the wives can of course be regarded as "dependents," since many are employed outside the home. It is impossible to determine just how many of the 1,900,000 married women who are thus employed are the wives of wage-earners. An approximation has been made, however, (1) by regarding 80 per cent of the women gainfully em-

TABLE LII

PROBABLE COST IN 1920 OF APPLYING THE FAMILY ALLOWANCE  
SYSTEM TO ALL WAGE-EARNERS

Class	Probable Number (in Millions)	Amount per Capita	Total (in Billions)
Basic Wage			
Adult males (20-65).....	15.3	\$800	\$12.2
Adult females (20-65).....	3.6	800	2.9
Boys (15-19).....	2.8	500	1.4
Girls (15-19).....	1.6	400	.6
Total.....	23.3	.....	\$17.1
Allowances			
Children (0-14).....	16.7	\$ 200	\$3.3
Old people (over 65).....	2.6	400	1.0
Wives.....	9.1	240	2.2
Total.....	28.4	.....	\$6.5

ployed in agriculture as the wives of farmers rather than farm laborers; (2) by estimating that 80 per cent of the employed married women were the wives of wage-earners. These estimates, which are probably not greatly at variance from the truth, give 1,300,000 wives who are earning outside the home. The number of dependent wives is, then, 9,100,000. The probable cost of applying this system is given in Table LII. The combined total of



the basic wage and the allowances would have amounted to approximately \$23,600,000,000, or \$7,300,000,000 and 24 per cent less than the cost under the family-of-five system. Even with allowances added for the wage-earner's numerical proportion of the children from fourteen to eighteen who now attend school, the cost would be \$6,700,000,000, or approximately 22 per cent, less than under the family-of-five plan.

It is difficult to compare these costs with the amounts actually paid out in wages in that year, since data upon the latter point are missing. According to the estimates of the National Bureau of Economic Research, however, the probable amount paid out in wages and salaries in 1918 was \$32,100,000,000.<sup>1</sup> This includes the salaries of the higher officials, which in 1919 formed 11 per cent of the total salary and wage payments made in our manufacturing industries.<sup>2</sup> Deducting a similar percentage in 1918 for all the industries, we should have \$28,600,000,000 as the probable amount then paid out in wages and small salaries. When one considers that the wage scales rose rapidly between 1918 and 1920, it becomes apparent that the \$23,600,000,000 that would have been required in 1920 to apply the family-wage system would by no means have absorbed the total actually paid out. After meeting the costs of the family-wage system, a very comfortable margin would apparently have been left with which to provide differential wages. It is probable, therefore, that the introduction of the system would not necessitate much, if any, increase in the total wages bill.

The relative costs in manufacturing may be more precisely studied. The total amount expended in wages and the lower salaries in 1919 was \$12,000,000,000.<sup>3</sup> The probable cost under the family-of-five system (taking \$1,600 as the typical cost for such a family) for both wage-earners and the lower-salaried employees

<sup>1</sup> National Bureau of Economic Research, *Income in the United States*, II, 242.

<sup>2</sup> Fourteenth United States Census of Manufactures, 1919, p. 30.

<sup>3</sup> *Ibid.*

would have been as shown in Table LIII. This would have necessitated \$13,400,000,000, or approximately \$1,400,000,000 more than was actually paid out in wages in that year. These costs may now be compared with the probable cost under the family-

TABLE LIII\*

THE PROBABLE COST IN 1919 OF PAYING ALL MALE WAGE-EARNERS  
AND LOWER-SALARIED EMPLOYEES IN MANUFACTURING INDUS-  
TRIES ENOUGH TO MAINTAIN A FAMILY OF FIVE

Class	Probable Number (in Millions)	Wage	Total (in Billions)
Adult males (20 and over) . . . . .	7.2	\$1,600	\$11.5
Adult females (20 and over) . . . . .	1.6	800	1.3
Boys (15-19) . . . . .	.7	500	.4
Girls (15-19) . . . . .	.6	400	.2
Total . . . . .	10.1	.....	\$13.4

\* The 1919 statistics for wage-earners and lower-salaried employees in manufacturing are not classified into the particular sex and age groups that are needed for our purpose. The method followed was to take the number of male and female wage-earners over sixteen years, or 7,203,000 and 1,773,000 respectively, and add to each: (1) the probable number of fifteen-year-olds of each sex who were employed in manufacturing upon the basis of the 1920 Census of Occupations; (2) the probable number of lower-salaried employees of each sex. Since few of the 384,000 women who were "superintendents, managers, clerks, and other subordinate salaried employees" were either superintendents or managers, it is probable that the number who were lower-salaried employees was approximately 380,000. Since there were 1,034,000 in this clerical group, on this basis, the probable number of male salaried employees would have been 653,000.

The total number of male employees in manufacturing of fifteen years and over in 1919 may then be estimated as 7,900,000, and of female employees as 2,200,000. Each of these were divided into the age groups fifteen to nineteen, and twenty and over, according to the percentage shown by the 1920 Census of occupations for the manufacturing and mechanical industries. (For sources, see the abstract of the 1919 Census of manufactures, pp. 392-93, and the abstract of the Fourteenth Census, p. 535.)

wage system, as shown in Table LIV. In these latter computations all those over sixty-five years, who are now employed, will not be considered, hence the figures of those employed will be slightly less than those given in the preceding table. The probable total cost of the family-allowance system may be set at \$10,500,000,000. This is \$1,500,000,000, or 12 per cent, less than the amount actually paid out in wages and salaries in 1919, and \$2,900,000,000, or 22 per cent, less than the probable cost of a family-of-five system. It should be borne in mind that, due to lower living costs in some localities, not all the workers need to receive as much as \$800 for the basic wage, and that other costs

might be lower proportionately. The margin between the actual pay-roll and the family allowance might well have been, therefore, more than 12 per cent. It seems probable, therefore, that

TABLE LIV

THE PROBABLE COST IN 1919 OF APPLYING THE FAMILY ALLOWANCE  
SYSTEM TO WAGE-EARNERS AND LOWER-SALARIED EMPLOYEES  
IN MANUFACTURING INDUSTRIES

Class	Probable Number (in Millions)	Amount per Capita	Total (in Billions)
Basic Wage			
Adult males (20-65).....	7.0	\$800	\$5.6
Adult females (20-65).....	1.6	800	1.3
Boys (15-19).....	.7	500	.4
Girls (15-19).....	.6	400	.2
Total.....	9.9	.....	\$7.5
Allowances			
Children (0-14).....	7.6*	\$200	\$1.5
Wives.....	4.2*	240	1.0
Old People (over 65).....	1.2*	400	.5
Total.....	13.0	.....	\$3.0

\* The probable number of dependent children, wives, and old people was estimated on the general ratio of 1.09 children per adult male from twenty to sixty-five; .17 adult dependents, and .595 dependent wives. No allowance is made for adult dependents under sixty-five nor for the probable increase in the number of dependent wives which such a system would probably occasion.

the application of such a system as has been proposed would not entail much, if any, added expense to the present wages bill in the manufacturing establishments of the country as a whole, although it undoubtedly would do so in many individual instances.

## CHAPTER XVI

### OBJECTIONS TO THE PROPOSED SYSTEM

Such an innovation in our wages system as has been described has naturally aroused opposition. Those who object to this new system include representatives of the most diverse economic beliefs: Malthusians, economic individualists, employers, and unionists. The more important of these objections to the variable family wage, phrased as strongly as possible, are as follows:

#### I. IT WOULD CAUSE TOO GREAT AN INCREASE IN POPULATION, PARTICULARLY AMONG THE LEAST DESIRABLE CLASS

If the wage-earners are assured a living for all the children they bring into the world, they will marry earlier and have more children per marriage. But such an increase in population is not desirable in a world where the devil of Malthus is still unchained. European peoples have multiplied five times in population during the last one hundred and fifty years, while our population is thirty-five times that of a hundred and thirty years ago. The continuing of any such rate of increase in the future would swallow up the fruits of mechanical progress. The great problem for Western civilization, and Eastern too for that matter, is how to limit population, and not how to expand it.

The increase which such a measure would inevitably cause would come, moreover, from the most innately inferior class in society, namely, the unskilled and semi-skilled workers, who do not have enough native intelligence and ability to earn a living wage. These groups are already breeding faster than the intellectually and professionally élite, and to accentuate further this differential fecundity would be grossly to adulterate the future quality of our population. Thus in 1923 the average num-

ber of living children of fathers of the ages forty-five to forty-nine years in the coal-mining industry was 6.6, in unskilled labor 5.8, and in the teamsters' trade 5.7. For physicians of this age group, on the other hand, the number of children was only 3.0, for lawyers 3.3, and for engineers 3.4.<sup>1</sup> In the light of such facts, many critics of the proposal declare that it would be only folly to remove those economic barriers which now serve at least as some check upon the size of such families.

Such objections as these, however, overlook a number of considerations. In the first place, there are other than economic barriers to large families. Children tax the endurance and patience of their mothers, and even were women assured that their children would be provided with sufficient food and clothing, few would wish to bring large families into the world. Such a reluctance would probably have been of little avail a century ago. The growing economic independence of woman and the increasing knowledge of contraceptive methods, however, make it more possible today.

The high birth-rate of the submerged poor, moreover, is probably in part due to the very lack of the basic necessities of life. The provision of a physical minimum would put these people on firm ground and would awaken many new desires which the birth of more children, even with their physical necessities guaranteed, would make impossible. In the caste-dominated society of England in which Malthus lived, and in which powerful economic and social pressure was exerted to keep the country laborers in their "station," it may well have been true that to increase the wages of the agricultural workers would have resulted in a great increase of fecundity. But our dynamic society of today is far different from that of Malthus. The industrial revolution has democratized consumption, and in most economic classes, men's wants greatly exceed their income. The very poor, how-

<sup>1</sup> *Size of Families in Birth Registration Area*, mimeographed memorandum, Department of Commerce, issued December 29, 1924.

ever, are necessarily so much concerned with the difficult problem of securing a physical existence that their hopes and ambitions rarely extend beyond these necessities. Once furnished these, however, they, like others, would want more, and hence the incentive to limit the number of children would not only be as strong but probably would be even stronger than before. Thus the increasing emancipation of women, the growing desire for higher and more expensive standards of living, and the diffusion of knowledge concerning birth control all combine to lessen the fear of an undue quantitative increase in population which was cherished by an earlier and a gloomier generation of economists.

Those who fear a qualitative degeneration in the population should not forget that the major part of the present damage is caused by the rapid multiplication of the feeble-minded and other defectives. The sterilization of these is in no way dependent upon the present system of wage payment, and should be carried out. The adoption of the family-allowance system would indeed probably hasten such a program of sterilization, since it would cause industry and society to realize that they ought not to maintain those who were so patently unable to maintain themselves. The present individualistic system of wage payment induces the public to think that it is a man's own business what children he brings into the world, since ostensibly he must bear the major share of their support.<sup>1</sup> If society, however, is to guarantee support to a man's children directly, then it will soon see that it is unwise to allow mentally defective children to be brought into the world.

The belief that society will be injured by a more rapid multiplication of those who are at present poorly paid than of those in the better-rewarded positions rests on the assumption that the former are as a class innately inferior to the latter. The proponents of this theory, such as Mr. W. H. Mallock, assert that

<sup>1</sup> A large part of the expense of the deficient is of course borne by society in the form of charity. This indirect support, however, is not as readily visualized by the average man as direct allowances.

the economic struggle under individualism is a selective process which assigns to men as a whole those positions in the business world which conform to their abilities, and thus separates the wheat from the chaff. There is but one piece of concrete evidence of any importance to shore up this assumption, namely, the results of the Army Intelligence Tests. The classification by occupations of the test scores of many thousands of men showed an average rank of C— for unskilled laborers, C for skilled workers, and A and B for those in the professions.<sup>1</sup> These results, while interesting, should not be regarded as necessarily conclusive. The tests seem to have been based in large part upon the ability to handle words accurately. Men from well-to-do homes, with the advantage of a cultural background, would therefore, in all probability, be able to secure a higher score than their fellows with equal innate ability but from poverty-stricken families. Despite the claims of many psychologists, therefore, it is probable that these tests do test nurture as well as nature.

Finally, any danger that such a measure, if adopted upon a general scale, would encourage too rapid a multiplication of the wage-earning population may be largely removed by fixing a maximum limit to the number of children for whom the allowance would be paid. This might, for example, be set at four per family, a number which, allowing for early deaths and for those who never marry or who are sterile in marriage, would give only a modest increase in population. Another method might be to give a full allowance for the first three children but only half this amount for the fourth or fifth. Such allowances as these would protect the poor families far more than now, when the wage of the average unskilled laborer seems to be sufficient to support only one child or, at the most, two.

Those who fear that civilization is dying out at the top should, as a matter of fact, favor and not oppose the principle of the

<sup>1</sup> See Vol. XV of the *Memoirs of the National Academy of Science*, "Psychological Examining in the United States Army," pp. 619-32.

family variable wage, for it may be applied to those very classes which they believe to be superior. Engineers, technicians, and college professors notoriously have small families because of the severe economic pressure to which they are subjected. They feel forced to maintain the standard of life which is regarded as necessary and proper for their class upon extremely small stipends. These professions are undoubtedly not perpetuating themselves at present, and society in consequence is losing much valuable ability. To pay allowances for the children of these classes adequate to maintain them upon a decent and comfortable standard of life would, beyond doubt, result in a release of births in multitudes of such families who now desire children but see no way to afford them. Some such allowances are now granted to the foreign missionaries who are serving under the various denominational boards, but they need to be adopted with more generous grants by educational, charitable, and religious bodies and by businesses for their brain workers. The problem of providing for those professional workers who, like doctors and lawyers, sell their services directly to the public and not through intermediaries does of course present many more difficulties.

II. THERE IS NO NEED FOR SUCH A SYSTEM, SINCE WAGES  
ARE ALREADY SUFFICIENT FOR THE NEEDS  
OF THE WORKERS

Many deny the existence of the poverty that such a plan is intended to abolish, and assert that wages are high enough now to maintain the workers if the latter only spend the money properly.

It is of course true that the fact that probably from one-half to two-thirds of the male workers do not receive enough to maintain a family of five does not indicate that this number do not receive enough to maintain themselves and their dependents. There is a vast army who do not need anywhere near the amount which such a family requires.

A large percentage of this very group, however, do not get



enough to meet the needs they have, while of those who actually do have a wife and three or more children, a still larger number find it impossible to make both ends meet. In 1919, when in the larger cities of the country at least \$1,600 was needed to support the five-member family on a subsistence-plus basis, the average annual earnings of the 9,100,000 wage-earners in manufacturing was only \$1,152.<sup>1</sup> Although approximately one-sixth of those employed were women, their exclusion would not have raised the average wage above \$1,250. This would have been insufficient to support a wife and two children in the larger cities, and would have been barely enough for one. This, it should be borne in mind, was moreover merely the arithmetical average, which was raised by the inclusion of the wages paid in the aristocracy of skilled labor. Over half of all the male workers, therefore, received less than this sum, and when the juveniles are deducted, probably not far from half of the adult male workers.

It may be urged, however, that it is the single men and those with no children that receive the lowest wage, and that the wages of the head of the family will rise sufficiently with every increase in the number of those dependent upon him to compensate for most if not all of the increased burden. The great group of unskilled workers, however, seem typically to reach their maximum earning capacity by the age of twenty-four at the very outside, while the skilled craftsmen attain their maximum at somewhere around twenty-seven or twenty-eight. Their responsibilities increase quite rapidly after they have reached the peak of their earning powers, and consequently their wives and children all too frequently suffer real hardships. While some increases are granted to specific workmen in these later years, there are a sufficient number of studies to indicate conclusively that they are not in proportion to the increased cost of supporting a family, and

<sup>1</sup> *Abstract of the Census of Manufacturers, 1919*, p. 22. The total average number of wage-earners was 9,096,000 and the total wage bill was \$10,533,000,000.

that workmen with three or more children are indeed in a quite desperate situation.

The 1919 report of the Illinois Health Insurance Commission shows how the larger families suffer from poverty. The Commission classified each one of 3,048 Chicago families, with full allowance for the varying number of members, according to the ability of its total income to secure a given standard of life. The families were then classified into three groups, namely, Classes A, B, and C. Class C consisted of those whose total incomes were insufficient to procure even a very rigid physical minimum. Class B were those whose incomes were sufficient for a bare physical subsistence, but not for an "intermediate" or subsistence-plus standard. Class A included those who were able to secure this standard. It is most significant that, while the families in Class A averaged less than four members, those in Class B averaged slightly less than five and those in Class C between five and six, and that the more members there were in a family, the more difficult was their position.<sup>1</sup>

But the most conclusive evidence, demonstrating the inability of a very large proportion of families of the larger size to make both ends meet, is furnished by the 1918 study of the United States Bureau of Labor Statistics of the family incomes and budgets of 12,100 white working-class families in 92 cities. The families were chosen to conform to the so-called standard family of five; all single men were excluded from consideration, as were childless couples and those with only one child. The families were also selected in such a way that the husbands' wages formed the primary source of the family income.

At a time when a subsistence-plus standard would have cost about \$1,450 in the larger cities, the investigation found that the annual total income of 2.7 per cent of the families, averaging 4.3 members, was less than \$900 a year; 20 per cent, averaging 4.5 members, received between \$900 and \$1,200, while 32.8 per

<sup>1</sup> *Report, Health Insurance Commission, State of Illinois*, pp. 194, 198.

cent, or nearly one-third, received between \$1,200 and \$1,500.<sup>1</sup> The evidence seems clear, therefore, that, even allowing for the lower cost of living in many of the moderate-sized cities, at least one-quarter, and probably nearer one-third of those families were below the subsistence-plus level, and that a considerable percentage were below even a subsistence level.

Families with two or more dependent children, therefore, find it difficult to subsist on prevailing wages, and a large proportion of them are in actual need, the intensity of which increases as the number of dependent children increases. It should never be forgotten, moreover, that, since each of these families has a number of children, the proportion of the children thus growing up in poverty is far greater than the proportion of families.

### III. A BETTER WAY TO PROTECT THOSE WITH FAMILIES WOULD BE TO REQUIRE EACH MAN WHEN SINGLE TO SAVE A PORTION OF HIS EARNINGS TO PROVIDE FOR HIS OWN FAMILY RESPONSIBILITIES

The present plight of large families would be greatly alleviated had the heads saved the surplus portion of their wages which they did not need as bachelors. It is impossible, however, to expect that youth will fully foresee the future and make such calculating savings. To meet this difficulty, some have proposed that the state should require all the bachelors to lay by a considerable proportion of their earnings for this very purpose.

Such a method of making each individual provide for his own future would be more difficult and less adequate than the method proposed. In the first place, it would be most improbable that the government could pass such a law as would be held constitutional by the courts, while it would be virtually impossible for private businesses to make such requirements of their employees. Secondly, administrative difficulties in the way of keeping track of men as they changed jobs and localities would be almost insuperable. Finally, such a measure would not apportion the ac-

<sup>1</sup> *Monthly Labor Review*, December, 1919, pp. 29-41.

cumulated savings in proportion to need. Some, who would remain lifelong bachelors, would be saving for dependents that they would never have; some, who would marry late and would have either no children or at the most only one, would save more than they needed. Those with large families, on the other hand, would find their savings inadequate and would still suffer, although not as fully as without savings.

#### IV. IT WOULD LESSEN THE ENERGY WITH WHICH MEN WORKED AND HENCE WOULD DECREASE OUTPUT

This criticism really falls into two parts: (1) that men would not seek employment as much, and (2) that they would not work as hard at their jobs. The first fear is clearly expressed by Professor F. Y. Edgeworth in his criticism of the state endowment of motherhood: "It does not require much knowledge of human nature to justify the apprehension that in relieving the average house-father from the necessity of providing necessities for his family, you would remove a great part of his incentive to work."<sup>1</sup> The second objection, that men would no longer work with the same vim and drive if they knew their children were provided for, is also believed by many.

The first of these objections applies only where the allowances are paid to men regardless of employment, a condition which would exist only under the state endowment of motherhood. It would be quite different where industry itself administered the funds. Here allowances would be paid only to the families of men already employed, or, at the most, to these plus those that were laid off because of lack of work. They would not be paid to those discharged for cause or to men who had voluntarily left their employment and were out of work.

The second objection is based upon the assumption that the chief incentive with manual workers is the fear of physical want,

<sup>1</sup> "Equal Pay to Men and Women for Equal Work," *Economic Journal*, XXXIII (December, 1922), 453.

and that this want must be retained as the lash with which to drive men on to action. One difficulty with such a view is that it treats children merely as hostages to force their fathers to work, and completely ignores the child's legitimate right to a decent start in life. Even were these objections true, as Mrs. Stocks says, "it may be desirable to give the younger children a fair chance of obtaining a better physical equipment for the battle of life, even at the expense of a little parental morale."<sup>1</sup>

But in reality there would probably be little danger, under any system of variable wages administered by industry, of incentive or output being slackened. Men assured of a physical minimum of life would be able to do infinitely better work than the undernourished workmen of today, and this would be particularly the case with the generation now growing up. Fear, moreover, breaks men down as well as driving them on. The workman tormented with fear for his family can rarely put his whole mind and effort into his work. Professional men urgently demand economic security on the ground that it will enable them to throw themselves into their tasks. The public recognizes the justice of this claim and sensibly refuses to believe that the surgeon will perform a difficult operation more successfully if he does not know whether he can get sufficient food and clothing for his children. There is no reason to suppose that the mental processes of the manual worker are different from those of the professional.

Moreover, workers assured of a physical minimum of life would not long be content with that. They would soon begin to want comforts, such as additional rooms, better furniture, more clothes, delicacies of the table, more opportunity for recreation and amusement, etc. These could be obtained only by increasing their wages. This would furnish a mighty motive for effective work, which would more than counterbalance any loss of the driving force of fear.

<sup>1</sup> *The Meaning of Family Endowment*, p. 38.

V. IT WOULD RESULT IN A CORRESPONDING INCREASE IN PRICES  
WHICH WOULD LEAVE THE WORKERS IN JUST  
AS BAD A SITUATION AS BEFORE

This criticism is based upon three assumptions: first, that an increase in the total wage bill would take place; second, that an increase in wages would result in a corresponding increase in prices; and, third, that the wage-earners are the only consumers of their product. The first two of these are extremely doubtful, and the third is erroneous. In the first place, an increase in the total amount of money going to the workers would undoubtedly result if the government were to add allowances for children to the already existing wage. Moreover, this would also be the case, although to a much lesser degree, where individuals or small groups of employers introduced the system, since these men would not be able to deflate the wages of their single employees appreciably. It is not at all clear that this would be the case were industry itself generally to adopt the system. The deflation of the wage of the single men might well furnish sufficient funds with which to pay the additional allowances for the children of the married, and still allow a sufficient differential for skill.

Secondly, even if the total wages bill of industry were increased, it would not necessarily mean an increase in the price of the product. An increase in the wages of those farthest down would probably mean an increased output on their part, as would a better distribution of the surplus now in the hands of unmarried workmen. It would put an increased stimulus upon business to improve its methods and, by eliminating the least efficient employers, who now survive because they sweat their workers, would transfer labor to the more efficient firms. Cost per unit, therefore, need not be increased. It should be noted that it would not be necessary for the average output of labor to increase at the same ratio as the increase in their income to keep costs constant. Labor costs might well go up a bit, yet be balanced by the reduction of overhead costs resulting from a larger output.

Moreover, even if total costs did rise, they might be absorbed in decreased profits instead of being handed on in the form of increased prices.

Finally, even if prices were increased, the wage-earners as consumers would not bear the full burden. The wealthy consume the products of labor as well as the manual workers. Per capita, they consume of course much more. Thus, according to the National Bureau of Economic Research, the poorest 65 per cent of the population received only 39 per cent of the national income, while the middle 33 per cent and the upper 2 per cent received 43 per cent and 18 per cent respectively of the income.<sup>1</sup> If any increase in prices, therefore, were to result, it would fall in large part upon the middle and upper economic groups, rather than upon the manual workers. Thus, an increase in the wages of the employees in the Rolls-Royce plant would not increase the cost of living to the workers.

Married workers, therefore, would benefit by securing much of the present unneeded surplus of their unmarried fellows. If the wages of the working class as a whole, including both the married and the single, were to be increased, which may not be necessary, then the workers as a group would secure an increase in real income and would not pay back in increased prices every dollar that they received as increased wages.

#### VI. IT WOULD DECREASE SAVING

This is really another double-forked objection: first, that since the future of their children would be assured, the poor would no longer save to provide for them, and, second, that any increase in the annual income of the poor as a class would come from sources where a large portion of it would otherwise be invested. The first objection may be dismissed briefly. The truth of the matter is that the very poor do very little saving at the present time. For them to cease entirely would mean only a slight

<sup>1</sup> National Bureau of Economic Research, *Income in the United States*, I, 134-35.

decrease in the annual amount invested. It would be better for them to spend judiciously the money which is now saved upon food, clothing, and shelter. This would be an investment in human beings, which, while not appearing in the national inventory as "wealth," would in such cases be the most advantageous form of saving.

Part of the second objection has already been answered when it was pointed out that, should the income of the workers as a whole be increased, it might be covered by the heightened production which such an increase might cause. If this, however, did not fully occur, it is undeniable that the improvement in the status of the workers must be met either by (1) the owner of industry in the form of decreased profits, or by (2) the upper and middle class of consumers in the form of increased prices.

Some will undoubtedly declare that the poor ought not under any circumstances to gain thus at the expense of the other classes of society. There is no proof, however, that our existing distribution of income is so equitable that it must not be disturbed. The presumption is rather all the other way. A dollar cannot buy as much happiness for the millionaire as it can for the poor man. The former, since he has so many, will spend it for trifles and non-essentials, while the poor will use it for the more pressing desires. The happiness and health of mankind would seem to be increased were the unneeded incomes of the wealthy to be levied upon to build up the deficient incomes of the poor.

The one valid objection to a change in the distribution of income is that which has been advanced, namely, that it might seriously lessen the amount saved. While considerable saving is undoubtedly needed, it is not at all certain that precisely the present rate of saving need be kept up, since there is a considerable proportion of the productive capacity of the country which is at present unused save in periods of the greatest business prosperity. Fuller utilization of our existing equipment may therefore compensate for a decreased volume of saving.



VII. IT WOULD CAUSE SINGLE MEN TO LEAVE THE ESTABLISHMENTS WHICH INSTITUTED THE PLAN FOR OTHERS AND THUS OVERLOAD THESE CONCERNS WITH THOSE WHO HAD DEPENDENTS

If a plant or a group of plants tried to scale single men down from their present wage while building up the incomes of those with families, it would find that the unmarried workers would desert them for other employments where no such distinctions were made. The employers that had adopted the plan would then find themselves employing only men who had dependents, and hence saddled with a far heavier burden than at the beginning.

This objection would not of course hold were a general system to be introduced, for there would then be no place for single men to go. It would not hold completely were the vast preponderance of employers in a given locality to institute the family variable wage, for many unmarried men would not wish to leave home. Somewhat the same lack of mobility would prevail were the employers of an industry to establish the plan. Save for the unskilled laborers, many would hesitate at giving up a trade that they knew. Furthermore, many single men, particularly those considering getting married, would be willing to accept a lower wage in a factory which would care for their future dependents. Such men might well be unwilling voluntarily to save from their present wage for the expense of their future family, but would acquiesce in being given a lower sum to spend by their employer if this were accompanied by an assurance that their future dependents would be protected.

Despite all these qualifications, it seems undeniable that such a difficulty would tend to confront the pioneers in any such movement. It would, therefore, seem advisable to begin the system where the wages of unskilled labor are already only about equal to that which would serve as the basic wage under the proposed system. By adding allowances for the children to this sum, married men may be retained and protected without driving single men into other establishments.

VIII. IT WOULD BE TOO HEAVY A BURDEN FOR AN EMPLOYER TO  
ASSUME VOLUNTARILY

If the complete system, including the scaling down of the wages of single men, could be adopted by an individual employer, the extra cost would probably not be appreciable. Since an individual business would not ordinarily be able thus to deflate the wages of the unmarried, the adoption of such a system would undoubtedly mean a considerable net increase in the pay-roll. This would probably be sufficient to prevent those who were operating close to the margin and those who were particularly greedy for profits from introducing the plan without outside stimulation. A group of competitors, however, such as form the various employers' and trade associations, might agree to adopt some uniform method and thus place no firm at a competitive disadvantage compared with another. The award of an arbitration board, if applied to a wide enough area, would have a similar effect. Moreover, a monopoly or a firm in a favored position might well be able to afford such an increase if its managers were benevolently inclined.

Finally, just as in France, businesses may find it actually to their benefit during periods of wage increases to introduce such a plan as a method of meeting the workers' demands for an increased wage. To grant allowances to the married workmen for their children may well prove to be more economical than granting a smaller flat-rate increase to all irrespective of their need.<sup>1</sup>

IX. THE MEMBERS OF A FUND AS A WHOLE WOULD TRY TO LESSEN  
THEIR BURDEN BY DISCRIMINATING AGAINST THOSE  
WITH DEPENDENTS

The creation of an equalization or clearing fund would, of course, remove the temptation for an individual firm by itself to reduce the number of its employees who had dependents. It

<sup>1</sup> If too great a variation were set up, however, between the wages of the unmarried in the concern and what they could earn outside, they would leave, and the burden of the fund would be increased by the presence of more married men with dependents than before.

may be objected, however, that the group as a whole would still find it to their economic advantage to agree to lessen the proportion of those entitled to allowances and thereby reduce the general rate of assessment.

Undoubtedly such a danger would exist, although the difficulties of united action on the part of the employers would be great. The possibility might, however, be guarded against by requiring an industry to employ at least a certain percentage of married men with dependents and to maintain a given minimum ratio of dependents to the working force as a whole. The existence, moreover, of a system of unemployment compensation, such as is provided for by Professor John R. Commons in the Huber bill, would prevent the employer from shifting all the expense of such unemployment upon the workers, and the community would lessen the temptation for a group of employers to resort to such methods.

#### X. IT WOULD BE IMPOSSIBLE TO ADMINISTER

The fact that similar systems are being administered successfully in virtually every country of continental Europe should be a sufficient answer to this objection.

#### XI. IT WOULD AROUSE SO MUCH OPPOSITION AMONG THE UNMARRIED WORKMEN THAT IT COULD NOT PERMANENTLY BE CONTINUED

The single workers, it is urged, would bitterly oppose any plan that paid their manual fellows, who worked beside them and were no more efficient, more than them. The idea that men should receive equal pay for equal work is so strongly held that any attempt to pay according to need would be resented by those whose needs are relatively slight.

While some such opposition would naturally be expected, the author does not believe that it would be very severe if an adequate campaign of education were carried on to acquaint the workers with the real nature of the proposal. It should

be pointed out that the married worker himself would not in reality receive more than those who are single, for the increased income of his family would be matched by the increased expense caused by his children. Furthermore, the paying of the allowances to the mother of the family instead of to the worker himself would also lessen the jealousy of the single man. Both the single and the married men would receive the same minimum wage in the shop, irrespective of the number dependent upon them. Moreover, the single men might secure differentials above this minimum according to their skill, so that the unmarried workman would frequently receive a larger pay check than the man with dependents. The allowances could be kept quite separate and paid only according to the need of the men, and would not be regarded as indicating differences in ability. The European experience shows that the opposition of the single men gradually slackens when such a plan is in actual operation, and the bachelors begin to recognize that those who have greater needs should have correspondingly greater means.

#### XII. IT WOULD BE USED TO WEAKEN THE POSITION OF THE TRADE UNIONS

Such critics declare that not only would the dissension between married and single men weaken the morale of the union forces, but, just as in France and Belgium, the allowance system could be used to punish those married workers who might go out on strike, and hence would serve as a powerful deterrent. If the father of a family knew that his children would lose their allowances for a month or a quarter were he to go out on strike for even only a day, he would be reluctant to throw down his tools, and a large part of the fighting edge of labor would be lost.

A still more subtle objection is that the single men are now virtually the only members of the working class who have a surplus of money over and above their needs. To pare this surplus down would be to deprive the labor movement of one of

its chief sources of funds. This would not be compensated for by the increase in the income of the married, since this would be used for the family needs and not for organization work.

It should be frankly recognized that the employers may try to use the system of family allowances as a weapon with which to secure their dominance over organized labor. This, of course, can and should be prevented. The two methods by which this may be done are by providing: (1) that the allowances should cease only during the actual time in which the worker is out on strike, and that there should be no punitive features attached; (2) that there should be joint control of the system, with representatives of the unions, or other bona fide organizations of the workers, meeting on an equality with the representatives of the employers to frame the necessary rules and to superintend the administration of the system. If this is done, there will be no danger of the system's being used against the workers. It is interesting to note that the socialistic unions of France and Belgium have now abandoned their early opposition to the system and at present ask only for either state control or joint control of it.

XIII. IT IS INFERIOR AS A SOLUTION OF THE PRESENT LABOR DIFFICULTIES TO DECREASING THE WASTES AND INEFFICIENCIES OF MANAGEMENT, WHICH WHEN EFFECTED WOULD EASILY ENABLE ALL WORKERS TO RECEIVE A WAGE ADEQUATE TO SUPPORT THE FAMILY OF FIVE

Such critics as these declare that we should first bend our energies toward making industry more efficient, and that when this is done, we shall have so large a national income that such a plan will be unnecessary. They point to the vast amount of time during which our industries lie idle, and the inefficiencies and wastes which characterize them when they do run. The study by the Federated Engineering Societies of *Waste in Industry* disclosed the extraordinary increase in output which would result if business as a whole only adopted the best practices that are now known and applied by some firms. Once this was done,

it is claimed, there would be no necessity for the family wage system, necessary as it may be now in the impoverished countries of Europe or even in our own inefficient land.

The possibilities of thus increasing the national income from which wages are paid are undeniably great. They are limited, however, by the fact that the supply of men with the necessary natural ability to put industry on an efficient basis is relatively small. Only a small percentage of the men examined in the United States Army during the war were rated as having Grade A intelligence. Business men are not the omniscient calculating machines that the classical economists loved to picture. It will be impossible, therefore, for a large percentage of industry ever to catch up at all quickly with the then prevailing best practices, and one may regard some of this failure to utilize our best knowledge as inevitable as long as business men are as defective in intelligence and resources as they are.

Pending this great improvement in industry, therefore, some system of variable wages appears to be necessary, and there seems little likelihood that this necessity will be speedily removed.

Moreover, even if output were enormously increased, needs would still vary. Whatever the state of the industrial arts, seven children will need more than one, and this will be as true in a socialistic as in a capitalistic society. The basic minimum allowed to the worker may well be increased as the national income increases, but there will be virtually the same necessity as now for those with a greater number of dependents to receive more.

## CHAPTER XVII

### CONCLUSION

The method that has been proposed would abolish poverty, which would be the greatest reform that could be effected. Large families would be protected in a fashion impossible under any system of uniform minimum wages. With sufficient food, clothing, and shelter assured, infant mortality among working-class families might well be cut in half, and the health condition of the surviving children would improve. Children of especial ability would no longer be compelled to sacrifice their future prospects by going to work at the age of fourteen or fifteen in order to help support their families, but would instead be assisted to stay in school and prepare themselves for positions which would be more appropriate to their talents. Parents would be freed from the anguish of being unable to feed or care for their children properly, and the family life of the poor would consequently cease to be so grim an affair and would become infinitely more happy and harmonious.

In still another way would this system make for better family relationships. The average young unmarried workman of today receives much more money than he strictly needs, and consequently enjoys a much higher standard of life than his married fellows. When he marries, and when the children come, his responsibilities increase rapidly, while his wage increases little if at all. He must therefore greatly curtail his own standard of living and make severe sacrifices for the sake of his family. Probably the majority of men meet this strain in a loyal and self-sacrificing spirit, but many do not. Some of these decline to cut their own pleasures to the bone, and selfishly continue to spend money upon

themselves that should go to their wives and children. Still others tire of the heavy burden and desert their families in order to enjoy the material comforts which the man without dependents can secure. The granting of allowances adequate to meet the extra expense of these dependents would free men from this heavy load and would create a more permanent home life.

Such a system would, moreover, remove most of the difficulties which are now created between the sexes by woman's entrance into industry. In the first place, it would abolish the ever growing menace of women undercutting the men's rate. The present assumption that men have dependents and that women do not causes the wage for men to be necessarily higher than that for women, even when they are performing virtually identical work. This offers a direct inducement for the employer either to substitute women for men or to cut the wages of the men, both for those who have and for those who do not have dependents, to an equality with those of the women. The increasing automatization of industry is ever widening the area of work which both men and women can perform, and hence increasing the range and the intensity of the competition between the sexes. As long as this continues, men will naturally try to bar women out from these positions and a more or less open sex warfare will develop. The provision of an equal minimum wage for both sexes based on the cost of living for a single person would prevent this undercutting of the men's rate and would protect them from the competition of cheaper labor.

At the same time, since the wage would be only a minimum, it would permit men and women to compete on the basis of productivity and general worth to raise their wages above the minimum. Women justly complain that even when they prove themselves more efficient than a man at the same job, the latter is generally paid more, on the ground that he either has or is presumed to have others dependent upon him. This directly operates to reduce the wages of the abler women below what they other-



wise would be able to secure, and to deprive them of both the added money and the attendant social recognition which their talents really deserve.

Under the system proposed, however, the fact that the dependents of both women and men would be supported by allowances provided from a common fund would permit the question of their relative productivity to be decided on its own merits without its being confused with that of dependency. A man would no longer be able to plead that his wage should be higher than that of a more efficient woman because he had dependents, since these would now be provided for in any case. Each person would be judged according to his worth, and the opening up of industry to the free competition of both sexes would be stimulating to both.

The payment of the allowances to the mother would immeasurably strengthen and dignify her position, since it would make her more independent financially of her husband and thus would make her more free.

Finally, such a system would increase the efficiency of the single man by removing the unneeded surplus that at present enables him frequently to absent himself from work and to work listlessly when employed. By giving a sound physical basis of life to the married worker and his children, it would create a healthier and more efficient labor force.

All this could be done without imposing a severe strain upon industry and probably without an appreciable increase in the wages bill as a whole. The cost would be far less than would be that of paying all workers enough to support a family of five, while it would protect the large families in a manner that would be impossible under the family-of-five plan.

As has been shown by the discussion in chapters xi, xii, and xiii, the administrative difficulties can be solved if the problem is studied in advance. It is particularly appropriate for the public employment, for non-commercial services, and for monopolistic enterprises where the problems of competition do not arise. The

adoption of such a plan for the teaching profession would not only enable this group to live on a proper standard of life, but it would also solve the growing difficulties presented by the demand of the women teachers for equal pay with men.

While a universal adoption of the system in competitive industry would be most desirable, there is a real opportunity for smaller groups of employers to put it into effect. The difficulty which would be entailed if the wages of the single men were actually to be decreased may be either avoided or lessened in two ways:

1. By first instituting the allowances in those industries where the basic wage is already only equal to, or slightly above, the cost of a subsistence-plus standard of living for a single man, the allowances can be added to the existing wage rather than deflating the existing wage to make the allowances possible. Common labor today is probably receiving little above this amount, as is witnessed by the wages of section-hands, etc., and hence is peculiarly eligible for the institution of such a system.

2. By beginning the payment of the allowances during a period of rising prices and an increasing wage scale, the necessary increases in wages can be largely given in the form of allowances to those with dependents instead of being added indiscriminately to the wages of all. The single man will not object as strenuously to such a procedure as he would to a direct cut in wages. The upswing of the business cycle, therefore, is the most appropriate time for the inception of such a plan.

Finally, of course, it is most desirable that the plan should not be used by the employers as a means of weakening the bargaining powers of their workmen through an undue penalization of strikes, etc., and that wherever possible, joint control of the system should be demanded and provided.

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